Austria	Sch22	Indonesia	Rp3100	Oman	OR1		
Bahrain	Din0.700	Iran	[illegible]	Peru	[illegible]		
Belgium	BFr50	Israel	Shk5.30	Portugal	Esc140		
Cyprus	C£0.90	Italy	L2200	Qatar	QR8.00		
Denmark	DKr13.00	Jordan	Fils1000	S.Arabia	Rls7.00		
Egypt	E£2.50	Kuwait	Fils.650	Singapore	S$4.10		
Finland	Fmk7.00	Lebanon	[illegible]	Spain	Pta145		
France	FFr7.00	Lux	LFr55	Sweden	SKr10		
Germany	DM2.30	Malaysia	Rlo4.25	Switz	SFr2.40		
Greece	Dr150	Morocco	Dh6.00	Thailand	Bht50		
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800		
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1200		
India	Rup15	Norway	Nkr10.00	UAE	Dh7.00		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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EGYPT
Tiran Straits bridge plan upsets Greens
Page 4

World News

Freed Sisulu moves to re-establish banned ANC

Seven senior leaders of the African National Congress, led by Walter Sisulu, were released from prison and immediately moved to re-establish their banned organisation *at the head of the anti-apartheid* movement in South Africa. Page 20

Israeli jailed

Israeli reserve sergeant Ilan Orev, 25, was jailed for two years in connection with the deaths of two Palestinians. The court said he fired live ammunition at West Bank *stone-throwers.* **PLO hardens stance,** Page 4

Helicopter deaths

A Saudi Arabian helicopter crashed during a training flight killing all five crewmen on board, including three employees of British Aerospace, the official Saudi Press Agency reported.

Perestroika plea

Soviet Prime Minister Nikolai Ryzhkov sought to head off a growing backlash against the perestroika reform process, pleading for more time to allow the changes to work. Page 20

EC visit to Warsaw

Foreign ministers of the European Community have agreed on urgent high-level visits to Poland and Hungary to follow up EC initiatives on reform. Page 3

Tanaka to step down

Mr Kakuei Tanaka, 71, the former Japanese Prime Minister who dominated Japan's politics despite being arrested in 1976 for taking a bribe from Lockheed Aircraft, announced he would leave parliament after the next *election.* Page 4

Angolan talks

Efforts to revive the Angolan peace process were under way at the weekend as all parties to the conflict gathered in the French chateau of Zaire's President Mobutu. Page 3

Berlin spy case

American military authorities in West Berlin said they had detained a member of the US Air Force and two Soviet military officers *for spying.*

Papandreou trip

Former Greek prime minister Andreas Papandreou, seeking a comeback in elections next month while facing a corruption trial, left unexpectedly for France.

Dutch accord close

Dutch Prime Minister Ruud Lubbers is working on a draft coalition accord that will pave the way for a left-leaning government. Page 2

Dublin reform call

Irish Premier Charles Haughey, speaking ahead of *more Anglo-Irish talks, called* for reform of British security policy in Northern Ireland.

Indian death toll 25

Twenty-five people died in communal clashes in Indore city in central India where police have imposed a curfew after riots erupted during a religious procession.

HK hunger strike

More than 7,000 Vietnamese boat people in detention centres throughout Hong Kong *entered the second day of a* hunger strike to protest against possible forced repatriation. Page 4

Dancer missing

Vladimir Karimov, a Soviet dancer touring Spain with the Red Army's choir and dance company, has disappeared from his hotel in Madrid.

Storm tragedy

At least 10 people died and 350 homes were destroyed in a *rainstorm that* lashed southern Colombia on Saturday.

Faldo leaves it late

US Masters golf champion Nick Faldo sank a 20ft putt for a birdie at the final hole at Wentworth, England, to go in front for the first time and win the World Matchplay title against fellow-Briton Ian Woosnam.

Business Summary

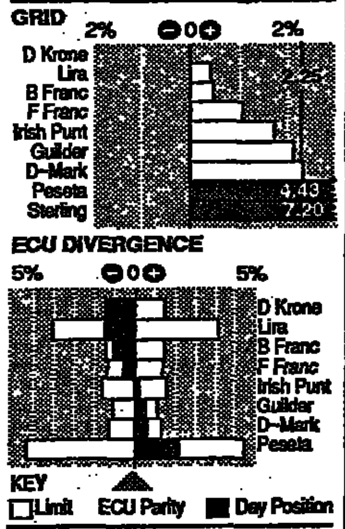
BAe and Thomson to seek missile merger

BRITISH AEROSPACE and Thomson-CSF are seeking a go-ahead from the UK and French governments to merge their top-security missile businesses into a joint company *with annual sales of £1.4bn* ($2.2bn).

The two companies, Western Europe's largest suppliers of military equipment, plan to announce today their intention to set up a 50-50 venture, Eurodynamics. Page 26

EUROPEAN MONETARY SYSTEM: Pressure mounted on the Danish krone in the EMS last week. The Danish Central Bank sold D-Marks as the krone fell to its cross rate intervention limit against West German currency. Speculation increased that Denmark will be forced to raise interest rates and that the strength of the D-Mark will soon lead to a realignment of the system. Currencies, Page 34

EMS October 13,1989



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

US Budget: early legislation to reform the US budgetary process is now certain, in the wake of Congress's failure to meet a deadline for approving a budget. Page 2

NEW Zealand Stock Exchange: Five of New Zealand's best-known directors are to face charges under the Securities and Companies Acts, in the first prosecution of individuals resulting from the October 1987 share market crash. Page 2

FALCONBRIDGE, western world's second largest nickel producer, met market expectations by reporting earnings of C$351m ($300m) or $5.26 a share in the first nine months of 1989, up from $217m or $2.8 a share a year earlier.

LIBRA Bank, consortium bank specialising in debt arbitrage in Latin America reported a pre-tax loss of £174.6m ($270m) in the half year ending on June 30 down from a pre-tax profit of £10.9m in the same period last year. Page 24

CANADIAN Imperial Bank, country's second largest chartered bank, is to add C$525m ($449m) to existing LDC and general loan provisions in its fourth quarter ended October, 1989. Page 24

ITO-Yokado Group, which runs supermarket and convenience store chains, reported a 4.2 per cent increase in consolidated net profit for the first half to end August of Y26.8bn ($188m). Page 23

EUROC, Swedish building materials, engineering and trading group, predicted its profits after financial items for 1989 would rise 27 per cent to SKr1.05bn. Page 24

BRITCAIR, a company which specialises in wound dressings made from seaweed and expects to show a taxable profit this year of £250,000 ($390,000), is being bought by Merck of the US, the world's largest pharmaceuticals group, for $27m. Page 24

UK RETAILERS: retailers face a grim outlook with increases in mortgage rates likely to restrict already subdued sales, the latest Confederation of British Industry/Financial Times distributive trade survey suggests. Pages 8 and 14

JAPANESE protectionism: US government officials are adopting more conciliatory tones in its efforts to persuade Japan to reduce its protectionist trade practices. Page 2

OFFICIALS COORDINATE APPROACH ● TOKYO CUE SOUGHT ● INVESTORS TOLD NOT TO PANIC

Fed prepares to prop up markets

By Lionel Barber in Washington and Peter Norman in London

THE US Federal Reserve is ready to pump the banking system with cash today to prevent the 190 point plunge in the Dow Jones Industrial average on Friday from developing into a financial crisis.

The US central bank plan to inject cash into the markets was co-ordinated with monetary officials in Asia and Europe over the weekend, and means the Fed is prepared to repeat the rescue role it performed during the October 1987 market crash.

A senior Fed official, reporting on a series of meetings in Washington between top US policy-makers, said: "Markets will be able to count on us to make sure the financial system stays liquid."

After the October 1987 collapse, the Fed injected cash into the system by buying Treasury bills from banks and security houses. The move provided liquidity to banks which might otherwise have cut off funding from brokerage houses which had run up heavy losses, and it was widely credited with restoring confidence in the stock market.

Over the weekend, Mr Alan Greenspan, Fed chairman, remained in close contact with senior Administration officials, including Mr Nicholas Brady, US Treasury Secretary, and Mr Richard Breeden, the new chairman of the Security and Exchange Commission, the US stock market watchdog.

Greenspan (left) and Brady (centre): in close contact; Bérégovoy (right): urging sang froid

Their plans were relayed to officials in other main financial centres, notably Tokyo where markets were due to open this morning. US officials said they expected the Bank of Japan, the central bank, to be prepared, if necessary, to pump money into the system.

Senior officials from the central banks, finance ministries and regulatory agencies of the leading industrial countries stayed in informal telephone contact over the weekend. But it is understood that no crisis meetings took place.

European officials stressed that they were conscious that during the October 1987 market meltdown, the decline in share prices had passed from market to market across time zones without fundamental cause, and for this reason officials had kept in touch.

But the view shared by the Bank of England, the British Treasury and the West German Bundesbank was that Friday's events reflected specific US problems such as the weakness of the junk bond market and the high debt-to-equity ratio in many US companies. Because of these circumstances, the European finance ministries and central banks want to avoid an exaggerated response to last Friday's 190-point fall on the Dow Jones Industrial Average.

European officials said yesterday that monetary authorities would take their cue from how the Tokyo stock market performed overnight. Although the Bank of England said at the weekend that it saw no reason for the London equity market to follow Wall Street's dramatic fall, it is generally thought that there will be some markdown in share prices in Britain and elsewhere in Europe. The policy response would therefore depend also on how investors react.

Yesterday, Mr Pierre Beregovoy, the French finance minister, urged investors not to panic but keep their "sang-froid" following the share plunge on Wall Street. He was quoted in the Journal du Dimanche newspaper as saying: "It all calls for a very great co-operation on the part of the economic and monetary authorities; in fact, concertation is continuous."

European officials are concerned that an easing of monetary policy following Friday's fall could exacerbate inflationary pressures. In Britain, the current high 7.6 per cent inflation rate is blamed partly on too sharp a cut in interest rates after the October 1987 crash.

For Mr Nigel Lawson, Britain's Chancellor of the Exchequer, Friday's events could bring some short term relief in a reduction of speculative pressure against sterling. Expectations of Fed easing caused the dollar to fall sharply in New York on Friday against the Japanese yen, the pound and other European currencies.

While Europe was adopting a "wait and see" attitude, senior US commentators yesterday downplayed any notion of crisis. Senator Lloyd Bentsen, Democrat chairman of the Senate Finance committee, said he was confident the lessons of October 1987 would be applied: "The meltdown procedures are more sophisticated than before," he said.

Senator Phil Gramm, his Republican colleague from Texas agreed: "The mechanism is strong enough...

Consortium bidding for UAL may restructure buy-out

By Paul Betts, Aerospace Correspondent, in London

THE consortium bidding with British Airways for United Airlines of the US is expected to be forced to restructure its original $6.8bn buy-out plan following the Wall Street plunge last Friday and the consortium's failure to secure financing for its original deal.

However, BA, which has clearly been shaken by the collapse of the financing, appeared confident yesterday that a restructured bid would be successful. The UK airline emphasised it was still keen to acquire a stake in United Airlines (UAL).

But it acknowledged there may have to be a readjustment in the original price of the deal following the fall in the value of US airline stocks.

The UK airline was due to acquire a 15 per cent stake in UAL for $750m as part of the buy-out led by a consortium including the management and pilots' union of the second largest US airline.

"We are keen that a consortium bid should go ahead in which we would have a similar involvement as in the existing bid," a senior BA offical said yesterday.

However, he added that market conditions had changed and this would probably imply a renegotiation of the price of the original deal.

The UAL consortium bid which failed to secure the necessary financial backing last Friday, triggering off the plunge on Wall Street, has been offering $300 a share for the US airline.

US analysts suggested the deal was now likely to be renegotiated at a price of around $260 – $275 a share following the sharp fall in US airline stocks.

The collapse of the financing of the UAL bid is clearly a setback for BA

However, it could also turn out to be a blessing in disguise for BA by enabling the UK airline to renegotiate a lower price.

Indeed, BA was generally felt in the City of London to be paying a heavy premium to acquire a direct stake in UAL

Continued on Page 20

Similarities to 1987 crash played down

THE THREAT of a stock market crash of 1987 proportions was generally played down by participants in leading markets around the world yesterday.

Most claimed market conditions were now different to *those of* two years ago, despite superficial similarities suggested by the levels of stock market indices.

> **I was in the governors' suite of the Federal Reserve in Washington when the news of the Wall Street crash arrived. The Fed seemed well-prepared for such an eventuality and I was much taken by the prevailing calmness. A few notes were passed in and out. One or two people returned momentarily to their offices. But I was not asked to leave and the conversation on policy principles was soon resumed.**
>
> Samuel Brittan, Page 19

ON OTHER PAGES

While an immediate marking down of stock prices on the major exchanges outside the US was widely expected for this morning, there was confidence that a greater degree of stability would return to the markets than followed the collapse on Black Monday – October 19 1987.

It was unclear last night to what extent this was wishful thinking. Private fears were expressed in some quarters that if prices failed to stabilise in the Far East, a chain reaction of collapsing stock prices could quickly circle the globe.

In New York, securities industry and exchange officials were bracing themselves for what they feared would be a lively and possibly chaotic opening to trading this morning, despite the Fed's signal of support. Traders said many uncompleted sell orders were left over from Friday because trading in several stocks was halted and the market in stock-index futures was suspended under the deluge of business late in the day.

Trading in the main futures contract, the Standard & Poor's 500 Index, was suspended in the last quarter-hour of trading on Friday after taking its 30-point maximum permissible fall, but it was not clear over the weekend whether this stabilised the stock market or merely created a temporary dam to selling which could be overwhelmed today.

Traders also said arbitrageurs – professional takeover speculators – were likely to be big sellers because of the money they had lost in stocks seen as takeover candidates, notably UAL and AMR, two airline holding groups, which were expected to open today 10-20 per cent below their levels on Friday afternoon.

Underlying the hesitant confidence elsewhere around the world was the belief that the near-7 per cent fall in the Dow Jones Industrial Average on Friday was largely a local phenomenon, and that although other markets would have to make some downward adjustment to take account of it, the contagion would not prove as dangerous as in 1987.

This hope was buoyed by the belief that pressure in the currency markets would focus on the US dollar, which it was claimed would bring respite to other currencies, in particular sterling, and help to sustain stock prices.

Sir Jeremy Morse, chairman of Lloyds Bank and a senior Bank of England official, said what had happened on Wall Street was a US phenomenon and related to the junk bond market. There was no reason for it to affect the Tokyo or London markets. Stock markets generally were not so out of line with economic fundamentals as at the time of the 1987 crash, he said.

In Japan, the prevailing view among fund managers was that US equities were overdue for a fall after a long sustained rally. The failure of the UAL financing was seen as a trigger in sending prices down to more sustainable levels. It seems likely, though, that the pace of Japanese investment in US equities will slow.

Across Europe, hope was expressed that local markets were largely insulated from Wall Street's problems.

In London, market makers pointed out that the stock market had already fallen around 8 per cent from its high this summer, while Wall Street continued to advance. Despite this, London prices are expected to open well down on Friday's close, in common with prices

Continued on Page 20

Futures exchanges monitor exposures in test of reforms

By Katharine Campbell in Chicago

REFORMS of the Chicago futures markets put in place after the October 1987 crash face a stern test today, but officials were insisting yesterday that the near-chaos seen then should be averted.

Exchanges in Chicago and New York will keep a close watch on exposures in the stock and futures markets, and plan to communicate with each other more effectively than two years ago. The Chicago markets are expected to make a special call on members for money as collateral for positions in the market if "circuit breakers" are triggered as they were on Friday.

Circuit breakers are trading halts triggered automatically by sharp fluctations, designed to give the markets a breathing space. Friday's drop in the stock market caused such halts for only the second time since their introduction in July 1988. The Chicago markets deal actively in futures contracts based on stock market indices and are thus closely linked to dealing in New York.

On Friday, the Chicago Mercantile Exchange's contract based on Standard & Poor's 500-stock index fell by 12 points, halting trading for 30 minutes. When it resumed, the futures market fell a further 18 points, triggering another close after which it did not reopen.

On the Chicago Board of Trade, futures on the Major Markets Index, which moves very similarly to the Dow Jones Industrial average, fell by the initial 50 point limit, halting trading.

The stock market in New York, however, remained open because its first trading halt is not triggered unless the Dow Jones average falls 250 points.

The CBT will tighten its circuit-breaking mechanism from today, with a first halt in Major Market Index futures triggered if the price falls 20 points, and the maximum daily movement limited to 50 points.

Some observers warned at the weekend that the circuit-breakers could have exacerbated the stock market's fall, because operators unable to alter their positions in the futures markets resorted to selling actual shares instead.

On the other hand, pressure on the stock market could have been relieved because computerised arbitrage progammes, which seek to take advantage of differences in prices between futures contracts and the underlying stock market, were halted by the close of the Chicago market.

Exchange officials said new facilities for customers to net their positions out should reduce the size of "margin" calls on members for deposits to collateralise their holdings.

Meanwhile, almost regardless of the direction of the Dow today, exchange officials anticipate that the role of computerised arbitrage will again be scrutinised by Congress once again. Senate hearings on a bill to extend the manadate of the CFTC are scheduled for tomorrow.

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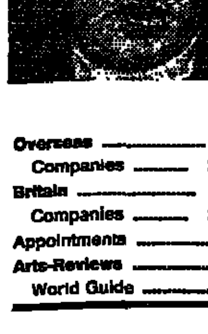
THE MONDAY INTERVIEW



Ms Vasso Papandreou, the strong-willed European Social Affairs Commissioner, tomorrow takes her campaign for a basic workers' charter to the British House of Commons. It is largely hostile territory.
Page 38

Reform planned as US budget misses deadline

By Peter Riddell, US Editor, in Washington

EARLY legislation to reform the US budgetary process is now certain, in the wake of Congress's failure to meet a deadline for approving a budget. By law this will trigger across-the-board spending cuts of just over $16bn later today to reduce the federal deficit.

After a deal between Democratic and Republican leaders to defer a vote on the controversial issue of capital gains until later this month, a stripped-down $14bn (£9bn) deficit reduction bill was approved by the Senate 87 to 7 late on Friday. This will now go to a Senate/House conference to resolve differences with the $11bn House deficit reduction bill.

The difference between the two versions – yesterday described by Mr Richard Darman, the budget director, as "nine pounds of paper apart" – may take a few weeks to sort out.

Senator Lloyd Bentsen, the Democratic chairman of the Senate finance committee, said yesterday that the across-the-board cuts, known as sequestration, would be softened and taken back in three to four weeks.

Mr Darman said sequestration might be "the best available alternative. It would be good if people had to live with it and we don't restore the cuts."

Democratic leaders have now broadly backed proposals to reform the present Gramm-Rudman deficit reduction law put forward by Republican Senator Phil Gramm. He has urged a bar on accounting devices to shift spending and revenue between years so as to ease the immediate deficit reduction task and a separation of the surplus on social security (to pay future pensions) from the deficit calculations.

Mr Gramm has proposed that this should happen after fiscal 1993, when the overall budget is supposed to be balanced. The overall target would be adjusted so that a balanced budget would not have to be achieved until fiscal 1999. This plan was yesterday backed by Mr Darman, though the Democratic version involves an earlier separation and a deferment of the balanced budget goal until 1997.

Both Mr Gramm and his co-author, Senator Warren Rudman, have conceded weaknesses in their law but have argued that spending and the federal deficit would be much higher without their targets.

Similarly, Mr Leon Panetta, the Democratic chairman of the House budget committee, has said that changes in budget procedures did not remove the need for stronger leadership to reduce the deficit.

He said the political problems arose because neither the president nor the Congress had yet been willing to put everything on the table and that meant cuts in defence spending and entitlements (mainly social security and other welfare programmes) and increases in taxes.

Five NZ directors to face charges

By Terry Hall in Wellington

FIVE of New Zealand's best-known directors are to face charges under the Securities and Companies Acts, in the first prosecution of individuals resulting from the October 1987 share market crash.

Mr Neville Harris, registrar of companies, said yesterday charges had been laid against Rada and Prorada, since renamed Navis Star Group, and seven individuals over the Prorada prospectus. The charges are being laid under Section 58 of the Securities Act, which makes it an offence to sign a prospectus that includes an untrue statement.

Also charged are Mr Bob Gunn, its chairman at the time, Mr George Wheeler, managing director, Mr Warren Hunt, Mr John Hunn, and Mr Ian Arkle, Rada investments manager.

Similar charges have been laid under Section 62 of the Companies Act, which prohibits a company from giving financial assistance in connection with a subscription for shares in itself. It is alleged that the registered prospectus contained a statement misleading because it omitted certain information. The charges have been laid against Prorada, Mr Gunn, Mr Wheeler, Mr Arkle and Mr Stephen O'Donohue, company secretary.

"It is alleged that Rada Investments, a subsidiary of Rada Corporation, which was to subscribe for shares to the value of NZ$50m (£18.6m), payable in full on November 6 1986, neither held in cash nor had made any firm arrangement to obtain the $50m referred to in the prospectus," Mr Harris said.

Under the Companies Act charge, it is alleged that on the day Rada Investments was to make its payment of $50m for 100m shares, Prorada gave Rada Investments financial assistance.

Rada was set up by NZ Forest Products. It suffered one of the share market's more spectacular collapses, reporting a NZ$489m loss for the year to March 1988. It is involved in litigation with the Bank of New Zealand over two sums.

Lubbers prepares plan for new accord

By David Brown in Amsterdam

MR RUUD LUBBERS, Holland's Christian-Democrat Prime Minister, is expected to table a draft policy accord today which may smooth the way for a new centre-left government in the Netherlands, possibly before the end of this month.

If the draft is accepted by both parties, Mr Lubbers will move an important step closer towards a third term in office. He is expected to preside over a period of more relaxed fiscal austerity than that which characterised his earlier seven-year reign at the head of a centre-right coalition which collapsed last may.

It also heralds a return from the political wilderness for the Labour Party, which has been on the opposition benches for nearly 12 years and is anxious for some exercise in power.

The premier was given a green light to draft an accord over the weekend, after a negotiating party with Labour broke up in the early hours of Saturday morning.

Mr Wim Kok, leader of the newly pragmatic socialists, indicated that although certain obstacles to a final agreement remain, the two parties are close enough on the key points of principle to justify the decision to move forward.

Details of the agreement will emerge today, but its broad outlines are clear. A face-saving formula has been arrived at under which a Christian Democrat-inspired plan to sharply cut income-taxes, previously opposed by Labour, will be made to appear more consistent with socialist principles.

The ambitious National Environment Plan to clean up pollution, which led to the collapse of the previous government, will move forward, at slightly higher funding levels. Somewhat more recources will be devoted to social welfare programmes.

The policy agreement will likely be subject to further fine tuning later this week. Barring unexpected difficulties, a formal government programme will then be presented to the Queen.

Paris denies plan to finance state-owned foreign acquisitions

By Ian Davidson

REPORTS that the French Government has approved a FFr40bn ($6.17bn) plan to finance foreign acquisitions by state-owned industries, have been categorically denied by the French Industry Ministry.

A senior Industry Ministry official said yesterday that no such plan had been adopted by the ministry, let alone by the Government as a whole.

There is no doubt, however, that the ministry is genuinely concerned that France's state-owned industrial companies may be at a serious disadvantage in the current wave of industrial mergers and takeovers, compared with their German and American competitors in the private sector.

Moreover, it is known that the Industry Ministry has been considering various long-term schemes for injecting large amounts of new finance into the state-owned companies, so as to strengthen their balance sheets. So far, it appears that the scale of these schemes has come up against the opposition of the Finance Ministry, whose top priority is the control of inflation and a steady reduction in the budget deficit.

A number of French state-owned concerns have been heavy participants in the international takeover field, most recently when Thomson, the defence and consumer electronic group, announced that it was considering a joint bid with British Aerospace for the troubled company Ferranti International Signal.

But the Industry Minister Mr Roger Fauroux is reported to be worried that the current international wave of industrial restructuring will either leave French state-owned concerns at a disadvantage, or saddle them with a damaging burden of debt. As it is, many French state-owned companies have unfavourable debt-equity ratios of more than 100 per cent.

This year the government is injecting FFr3bn of new capital into French state-owned companies, and next year's budget contains an even larger provision of FFr4.7bn, which will mainly be concentrated on companies in the electronics sector, such as Thomson and Bull.

But the ministry has apparently been considering various strategies for a much bigger long-term bolstering of the balance sheets of the French state-owned industrial sector. One such strategy would be for a multi-annual capital endowment scheme; this appears to be the origin of the report which circulated at the end of last week. It is understood to have been turned down by the Finance Ministry. Another strategy would be for the state to raise sovereign debt at advantageous rates, and pass on the proceeds directly to the state-owned companies.

Brazilian congress limits presidential powers on debt

THE BRAZILIAN congress has moved to impose new restraints on a future president's freedom of action in any forthcoming negotiation on the country's $112bn foreign debt, Ivo Dawnay reports from Rio de Janeiro.

Party leaders have voted through measures, theoretically binding on the executive, that include a move to restrict interest payments to a ceiling of 6 per cent a year.

While the conditions could probably be by-passed by the new president coming to power next year, they could equally easily be used as an excuse for a tougher negotiating stance when talks on debt resume.

Brazil suspended interest payments on $60bn of medium and long-term commercial bank debt in September. It claimed that servicing could not recommence until "new money" was forthcoming from creditors, or foreign exchange reserves had recovered adequately to safeguard the country from the consequences of an inflationary explosion.

Today, the country enters the final month of campaigning before the first round of the two-stage presidential election on November 15 – the first free poll for the office in 29 years. The election will be concluded in a run-off between the two highest-placed candidates on December 17.

The resolutions agreed on Thursday are certain to be viewed as highly unrealistic by Brazil's foreign bank creditors. They break long-standing understandings in force since the debt crisis began in 1982.

They reject the application of floating market-based interest rates for servicing debts, and demand the Government takes legal steps for repayment of all interest paid over and above that applying when each loan was incurred. Other moves include rejection of New York as a venue for discussing debt issues and a refusal to accept penalty clauses for non-payment in any new accord.

Analysts say the Congress move is most important as an indicator of the legislature's determination to wrestle the right to sanction or veto future accords from the new president.

Tax men seize $1bn in raids

Israeli troops and tax collectors have seized goods worth $1m from Palestinians refusing to pay taxes in the besieged West Bank town of Beit Sahour, an informed Israeli source said, Reuter reports from Jerusalem.

Other security sources said the Israeli general in charge of the occupied West Bank had told his staff not to talk about the tax raids. Domestic appliances, furniture, cars, machinery and merchandise have been seized from dozens of Palestinians boycotting taxes in protest at occupation.

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Argentina announces details of letter of intent for IMF

ARGENTINA'S Peronist government has announced the details of a new letter of intent which it hopes to sign with the International Monetary Fund (IMF) before the end of October, thereby gaining a fresh IMF stand-by loan of $1.4bn, Gary Mead writes from Buenos Aires.

The terms set forth a series of targets which require considerable efforts by President Carlos Menem's government, including a slashing of the fiscal deficit from its present level of 16 per cent of gross domestic product (GDP) to 1.25 per cent for 1990. Failure to achieve agreed deficit adjustments was the main factor in the collapse of Argentina's last IMF stand-by agreement.

Cutting the fiscal deficit will prove the most difficult task for the Menem government, which is already beginning to find it less easy to sell off state industries into private ownership than it first imagined. The 31-article document undertakes to "advance" planned privatisations of the state-owned railways, airline, telecommunications, shipping and other companies.

Besides reducing state spending, the letter of intent promises to increase GDP by 5 per cent next year (from a negative growth this year estimated at 5 per cent); to reduce monthly inflation to 2 per cent by December, and annual inflation to no more than 15 per cent next year; and to hold exchange rate and public sector tariffs at the current rates until March 1990.

The letter also promises to introduce tax reforms, which include generalising value added tax to all goods and services, and raising it to 15 per cent.

Argentina's foreign debt stands at $60bn (£38bn). The government estimates that the interest arrears, as much as $5bn by the end of 1989, are around 8.5 per cent of GDP. It calls for a programme of debt reduction, in order to achieve "satisfactory economic growth in the medium and long term".

The letter is widely regarded within Argentina as perhaps its last opportunity to convince both the IMF and other international lendi.g agencies of the country's serious intent to reform its flagging economy.

OVERSEAS NEWS

EC ministers agree on urgent visits to East Europe

By George Graham in Esclimont, France

FOREIGN ministers of the European Community have agreed on an urgent high-level visit to Poland and Hungary to follow up EC initiatives to their programmes of economic and political reform.

Mr Jacques Delors, the president of the European Commission, is expected to travel with Mr Roland Dumas, the French Foreign Minister and current chairman of the EC Council of Ministers, to Warsaw and Budapest in the next few weeks – probably towards the *end of November.*

At the same time, the EC has launched a discussion on possible new bases for a formal relationship with the countries of eastern Europe, in the light of the political upheaval in the Eastern bloc.

The discussions over the weekend at the moated castle of Esclimont, near Chartres, however, appear not to have resolved differences between the EC partners over the attitudes to adopt to the changes now taking place in eastern Europe.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, outlined his view that the existing institutional structures for ties between eastern and western Europe – such as diplomatic relations and trade links – were now exhausted. He called for new models of association falling short of actual membership for east bloc countries of the European Community.

Mr Genscher's ideas do not appear to have been received with much enthusiasm by his colleagues. Mr Delors, however, said that events in eastern Europe "demand an acceleration of the process of construction of the Community", or at least a reaffirmation of the EC's determination to act together on this question.

He said that the discussions he had launched in January on ways of deepening the EC's links with countries in the European Free Trade Association could provide a basis for discussions with the Eastern bloc countries.

The ministers also agreed informally to launch two new initiatives in the Middle East. These would involve an effort to revive the mission of the "troika" of EC countries aimed at supporting the five-point plan of Mr James Baker, the US Secretary of State, for re-opening Arab-Israeli dialogue; and a decision to make a joint EC statement on Lebanon.

A BIG demonstration for political reform is set to take place today in Leipzig, increasing pressure on Mr Erich Honecker, the East German leader, to resign, writes Leslie Colitt in Berlin.

● East Berlin television acknowledged that nearly 1,200 East Germans who had sought refuge at the West German embassy in Warsaw would be issued exit papers for the West.

Grey-haired Sisulu goes home to continue the fight

Freed black leaders will be seeking a way to work with a new breed of activist, reports **Patti Waldmeir**

THE white lounge suite had been shampooed, the crates of vegetables delivered. And the goat was tethered behind the house, looking philosophical about his fate.

At the modest home of Mrs Albertina Sisulu at Orlando West, a suburb of the shapeless black township of Soweto outside Johannesburg, everything was ready for the biggest feast in Sisulu family history. All that was missing was Mr Walter Sisulu, the husband, grandfather, and father who had not been home for 26 years.

At 5.25 yesterday morning, the South African police finally delivered the grizzled and bespectacled 77-year-old to the wife who raised eight children without him, and to the many grandchildren who have been born during his quarter-century in prison.

"It's good to be home," Mr Sisulu told the groggy press corps, rewarded for their all-night vigil. "Let me see my wife."

But judging from the scores of anti-apartheid leaders and friends who packed the tiny rooms of the family's three-bedroomed bungalow, Mr Sisulu cannot have had much time for a tête-à-tête with Albertina, a formidable national leader in her own right.


Walter Sisulu leaves prison.

Between congratulatory phone calls from Moscow and other foreign capitals – the Soviets were first to convey their best wishes – Mr Sisulu received members of his extended family, widely viewed as the first family of anti-apartheid politics in South Africa.

The list of visitors to the house looked at times like a who's who of black politics in South Africa, with visits from many prominent national leaders who were children when Mr Sisulu was incarcerated.

Among them were Mr Cyril Ramaphosa, the country's most powerful trade unionist, and Mr Murphy Morobe, a leading figure in the banned United Democratic Front. In the days to come, they will no doubt prove valuable lieutenants to Mr Sisulu and the other released leaders.

In other parts of the smog-filled township, the police made similar dawn deliveries to the homes of Mrs June Mlangeni and Mrs Caroline Motsoaledi, where the neighbourhood welcoming committees were clearly well prepared for the return of Mr Andrew Mlangeni and Mr Elias Motsoaledi.

Little girls in party dresses wore bows in their hair, in the colours of the banned African National Congress, while the ANC's black, green and gold flag hung above the freed prisoners' front doors. Every blank bit of wall, every electricity junction box carried welcoming messages or slogans in support of "MK" – Umkhonto we Sizwe, the military wing of the ANC.

Both men were jailed for life because of the senior roles they played in MK; yet the wall outside the Mlangeni house carried a sketch of an AK-47 rifle, freshly done in glistening black paint, and songs in praise of MK were sung by bands of supporters outside each of the released prisoners' houses.

In the streets of Soweto, public reaction to the releases was muted, with only small groups of activists gathering to mark the homecomings. For the most part, the released men were allowed to savour their joy in private.

But when they did appear, their conservative suits and grey heads made a sharp contrast to the liberation tee-shirts and jeans of the young activists who shepherded them from place to place.

For the "comrades" – the township activists, many of them teenagers, who run the political life of Soweto – were very much in evidence yesterday. They kept spectators away from the homes of the released men – one of them held a quirt, a whip whose use by the riot police was recently banned – and appeared to be giving the former prisoners orders on what they were allowed to say to the press.

Bridging the gap between the two generations of liberation politics represented in Soweto yesterday – between the African nationalist tradition of men like Mr Sisulu and the newer, more radical and less tolerant politics of the comrades – could prove a formidable task.

Over the next few weeks and months, the released leaders will no doubt be seeing how best to integrate the two traditions.

What is clear is that they will do it under the banner of the ANC. For over the past few weeks, the ANC flag has been flown ever more publicly and its slogans proclaimed more loudly.

And with seven of the most senior members of the organisation now free to go about the business of liberation politics, a leadership structure for the organisation can be said to exist internally for the first time in many years.

"Viva ANC" was the cry throughout Soweto yesterday. And on Saturday in Cape Town, the South African flag was pulled down from outside the Parliament building, and an ANC flag flown in its place.

The "liberation" that ANC activists speak of will still be a long time coming. But yesterday's releases can hardly help but quicken the political pace.

Angolan peace talks held in France

EFFORTS to revive the Angolan peace process, which collapsed soon after last June's ceasefire, were under way at the weekend as all parties to the conflict gathered in the southern French chateau of Zaire's President Mobutu Sese Seko, *Our Foreign Staff writes.*

The talks will be attended by Mr Pik Botha, the South African Foreign Minister, Mr Herman Cohen, Washington's Assistant Secretary of State for Africa, and Mr Jonas Savimbi, the head of the Unita guerrilla movement in Angola.

Mr Pedro de Castro van Dunem, Angola's Foreign Minister, discussed the civil war with President Mobutu on Friday and is said to be in Monaco waiting to be called into today's talks.

After a meeting last week with Mr John Major, the British Foreign Secretary, Mr Savimbi hinted at the possibility of a new ceasefire by the end of October.

A central problem in the negotiations is believed to be Unita's refusal to accept the interpretation of the peace agreement that has been advanced by Mr Kenneth Kaunda, the Zambian President, under which Mr Savimbi would have to go, at least temporarily, into exile.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1985=100)

	Sept '89	Aug '89	July '89	Sept '88	% change over previous year
Japan	106.0	105.0	105.3	102.9	+3.0
Netherlands	102.0	101.5	101.2	100.7	+1.3
W Germany	104.5	104.2	104.3	101.3	+3.1
UK	123.3	122.4	122.1	114.6	+7.6
Belgium	108.4	107.8	107.5	104.7	+3.5

	Aug '89	July '89	June '89	Aug '88	% change over previous year
Italy	124.1	123.9	123.7	116.8	+6.3
US	115.9	115.7	115.4	110.8	+4.6
France	113.0	112.8	112.5	109.3	+3.4

Source: (except US) Eurostat

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Israelis unable to make big inroads on inflation

By Hugh Carnegy in Jerusalem

THE uphill battle Israel faces in getting the annual rate of inflation down to single figures was starkly illustrated yesterday by figures showing that the consumer price index rose by 15.8 per cent in the first nine months of the year.

It compared with 11.3 per cent in the same period for 1988. The rate for the year as a whole is now set to exceed 20 per cent, a marked deterioration over last year when the index rose 16.4 per cent. However, Mr Shimon Peres, the Finance Minister, expressed satisfaction that the rate of increase had declined in each of the past three months.

After initial spectacular successes against three-digit inflation achieved through a tough economic recovery programme introduced in 1985, the Government has found reducing the annual rate of increase much below 20 per cent a frustrating and vain struggle.

Officials have been particularly dismayed at the persistence of inflation over the past 18 months when the economy has been going through a marked slowdown, with demand and investment depressed. Now the Government faces the dilemma of how to continue to fight inflation while tackling high unemployment.

One immediate explanation of this year's increases lies in two sharp devaluations – in January and June – of the shekel, which had been fixed throughout last year but was moved to spur exports. Also, in line with its policy of gradually loosing state controls in the economy, the Government has lifted price supervision on a number of basic goods.

Some non-controlled items such as clothing and footware have moved down in price in response to the downturn in demand but other sectors, especially housing, have seen surges in prices. The 1.6 per cent increase in the index in September was fuelled largely by a 4.5 per cent jump in rents.

Israeli economists point to what they call an indexation mentality as a chief culprit for the persistence of inflation. Habits made during the era of very high inflation of automatically linking wages and prices to inflation have not been broken.

PLO hardens line on Israeli talks

By Tony Walker in Cairo

PALESTINIAN leaders appear to have hardened conditions for a dialogue with Israel on the eve of an important meeting in Baghdad at which faltering Middle East peace efforts will be reviewed.

Mr Mahmoud Abbas, a member of the Palestine Liberation Organisation's Executive Committee, outlined the PLO's conditions for endorsing steps towards peace at meetings in Cairo over the weekend with Egyptian officials.

The PLO is demanding:

□ that it should nominate its representatives to any dialogue with Israel,

□ that the US should engage it more directly in its attempts to promote discussions,

□ that a preliminary dialogue should deal with all issues,

□ and that such a process be a step towards convening an international conference of parties to the dispute plus the five permanent members of the UN Security Council.

The PLO's insistence on a more clearly defined role for itself in preliminary discussions on Israeli-proposed limited autonomy elections in the territories reflects a toughening of attitudes inside the guerrilla organisation following Israel's rejection two weeks ago of an Egyptian 10-point initiative aimed at facilitating a dialogue.

The PLO's options in light of Israel's apparent unwillingness to agree to talks with representative Palestinians will be discussed over the next few days by the 108-member "mini-parliament", the Palestine Central Council. Mr Nabil Shaath, a close adviser to Mr Yassir Arafat, chairman of the PLO, said in Cairo that patience among Palestinian leaders with the US role was wearing thin. He said a five-point plan advanced by Mr James Baker, the US Secretary of State, to rescue the flagging peace process was not regarded as a serious initiative.

"There is a lot of apprehension in the PLO that the Americans are suggesting proposals that they know Israel will reject," he said. Mr Shaath said there was as yet no sign that Washington was willing to exert sufficient pressure on Israel to advance peace efforts.

Meanwhile, it was reported over the weekend that Mr Baker had telephoned both Mr Moshe Arens and Dr Esmat Abdel Meguid, the Israeli and Egyptian Foreign Ministers to discuss latest developments. Since Israel's rejection of the Egyptian initiative, Mr Baker has become more directly involved in efforts to rescue the peace process.

● Preparations were well advanced at the weekend for the expected visit to Egypt today of Mr Muammar Gadaffi, the idiosyncratic Libyan leader. Mr Gadaffi will spend about 24 hours in Egypt.

He will hold talks with President Hosni Mubarak near the Mediterranean resort town of Mersa Matruh. Mr Mubarak is then expected to cross the Libyan border with Mr Gadaffi for further discussions tomorrow.

● Mr Yitzhak Shamir, the Israeli Prime Minister, yesterday questioned the need to hold proposed Israeli-Palestinian talks on elections in the occupied territories in Cairo, Hugh Carnegy writes from Jerusalem. Mr Shamir suggested in a newspaper interview the talks should be held in Israel because, as he put it, "both sides are here".

This was a reference to his refusal to accept any role in the talks for the PLO or any Palestinians from outside the West Bank and Gaza Strip.

Meanwhile, the underground leadership of the Palestinian uprising in the territories rejected Mr Baker's proposals.

UK minister in bid to patch up relations with Iraq

MR John Wakeham, the UK Secretary of State for Energy, today ends a three-day visit to Iraq which appears to have turned into a British Government exercise to improve strained relations with Baghdad, Hunter Reynolds reports from Dubai. Last week, talks on an export credit line were postponed amid concerns about Iraq's £80m repayment arrears on existing loans.

Some weeks ago, an Iraqi-owned company withdrew from a advanced composites plant in Belfast, apparently under pressure from the UK Government concerned about military applications. Mr Wakeham arrived in Baghdad on Saturday to give a key-note speech at a seminar organised by the British Energy Industries Council and the Iraq Oil Ministry.

Embassy officials insist that Mr Wakeham's visit planned four months ago had as its sole aim the promotion British companies wanting to sell into Iraq. But the British Energy Secretary embarked on a hectic schedule of high-level government visits which would imply that London has used the visit to improve its strained relations with Iraq.

Gandhi rejects early poll after defeat by MPs

By David Housego in New Delhi

MR Rajiv Gandhi, the Indian Prime Minister, scotched rumours over the weekend of an early general election in the wake of his Government's defeat in the Upper House of Parliament over an amendment to the constitution.

The amendment was needed to give effect to what the ruling Congress party saw as electorally popular legislation providing for greater decentralisation to a new tier of government at village and district level. It is the first time since 1952 that a government seeking to amend the constitution has failed to get the required two-thirds majority in the Upper House.

Though Mr Gandhi was defeated by only a few votes the reversal reflects his weakening personal prestige. The main purpose of the brief session of Parliament that began on Wednesday – the last before the general election – had been to pass the amendment. Mr Gandhi had been counting on the patronage and pressures normally open to government to win over the three or four members needed to carry the measure.

The Government's defeat late on Friday night prompted reports that Mr Gandhi would immediately dissolve Parliament and seek an election on the issue of obstruction by the Upper House to the decentralisation measure.

But Mr Gandhi told a meeting of his parliamentary party that he had "no intention of dissolving the Lok Sabha (parliament) just now and had not even thought about it". Accounts of those at the meeting suggest that Mr Gandhi could be thinking of putting off the election until January or February instead of the end of this year as has widely been expected – though there is a debate on the constitutional propriety of doing this.

The defeat over the legislation came at the end of a bad week for Mr Gandhi as further damaging suggestions emerged of his Government's involvement in covering-up commissions paid by Bofors, the Swedish arms group, to win a $1.2bn artillery contract.

Though the details are probably too technical to be absorbed by most Indian electors, the cumulative impact of the disclosures is to tarnish further Mr Gandhi's administration with the suspicion of corruption. Almost worst for Mr Gandhi is that the fresh evidence is undermining his party's confidence and morale.

Egypt's plan to bridge straits rouses environmentalists

By Tony Walker

A PROPOSAL by Egypt to build a $500m (£320m) bridge across the strategic straits of Tiran at the southern entrance to the Gulf of Aqaba seems certain to run into strong opposition from environmentalists and from Israel.

Mr Suleiman Metwalli, Egypt's Transport Minister, told a committee of the ruling National Democratic Party this week that studies were continuing into the feasibility of joining the southern Sinai with Saudi Arabia.

Mr Metwalli said the bridge would facilitate trade and tourism between Arab states, and would bring many benefits to Egypt. Officials say, however, that planning is at a very preliminary stage, and that the idea has not been extensively debated within the Government.

A senior minister said last week that environmental considerations would be weighed very carefully before approval was given for such a project. The waters of the southern Sinai include some of the world's most exquisite coral reefs and marine life.

Egyptian engineers are studying ways to link the Sinai with Tiran island across deep water. A causeway would then join the island with Saudi Arabia. The distance spanned would be about 15km.

Israel is certain to be eyeing carefully any proposal to bridge the Straits of Tiran. Nasser's closure of the straits was one factor that sparked off the 1967 Six-Day War. Israel's main port, Eilat, sits at the head of the Gulf of Aqaba.

Peking party to purge businessmen

THE Peking Communist Party committee yesterday voted to purge its ranks of "hostile and anti-party elements" and wealthy private businessmen, AP writes from Peking.

The decision indicated that the crackdown triggered by student protests nearly five months ago is intensifying.

The Xinhua official news agency said the Peking party committee, which has led the nation in hard-line rhetoric, approved a resolution to "purify the party organisations" by requiring all members in the capital to re-register during the coming year.

Leading targets of the purge include private businessmen.

"The resolution stipulated that exploiters cannot be admitted into the party, and those who have already been party members must adhere to the party's ideals," it said.

Private businessmen were commonly described as "exploiters" during the first three decades of Communist rule, but after Deng Xiaoping, the supreme leader, began economic reform a decade ago, they were embraced as partners in China's modernisation.

Zhao Ziyang, the former national party General Secretary ousted from his leadership posts for allegedly supporting the student protests, has been allowed to keep his party membership, but some top officials are believed to be pressing for his expulsion.

Tanaka to bow out of Japanese political life

By Ian Rodger in Tokyo

MR Kakuei Tanaka, 71, the former Japanese Prime Minister who dominated Japan's politics from the early 1970s to the mid-1980s despite being arrested in 1976 for taking a Y500m (£2.2m) bribe from Lockheed Aircraft, yesterday announced he would leave parliament after the next general election.

"I have nothing to regret," he said in a statement made by his son-in-law.

Mr Tanaka's retirement is unlikely to have any impact on Japanese politics but recalls one of the most colourful eras in Japan's generally drab postwar political scene.

Mr Tanaka became Japan's youngest prime minister at the age of 54 in 1972. A populist by nature, he took endless pains to win and sustain his constituents' favour. He counselled younger politicians to go to constituents' weddings as often as possible, but more important, never to miss a funeral.

A self-made construction contractor, he revelled in the pork barrel. He initiated numerous large-scale public works projects throughout the country, but especially in his own Niigata constituency, under an ambitious programme called "Remodeling the Japanese Archipelago". His heyday was shortlived. The press began publishing stories of murky dealings in real estate, and in November 1974 he was forced to step down as prime minister. In June 1976, he was arrested on charges of receiving Y500m in bribes from Lockheed and in October, 1983, the Tokyo District Court sentenced him to four years in prison and assessed a Y500m fine. He is appealing the judgment.

Despite his legal difficulties, his political power increased following his resignation as prime minister. Thanks to a large factional following and access to prodigious sums of money from business friends, he became a kingmaker or "generalissimo in the dark", as some called him, within the ruling Liberal Democratic Party. His support was decisive in the selection of at least three subsequent prime ministers, including Mr Yasuhiro Nakasone. Mr Nakasone's first Cabinet was known jokingly as the Tanakasone Cabinet.

Mr Tanaka began to lose his extraordinary influence after suffering a stroke in 1985. He has lived in near total seclusion ever since. In 1987, Mr Noboru Takeshita, once a close lieutenant, set up his own faction and attracted most of the members of the Tanaka faction to it.

Bringing harmony to the Babel of Community accounting languages

Commission efforts have so far failed to deal with the confusion and a unified system is still a long way off, **David Waller** reports

ACCOUNTING is the language of business. In an ideal world, all businesses should speak the same language, so that investors, bankers and competitors could look at two sets of accounts from two companies in a similar sector but in different countries, and make uncomplicated comparisons between the two.

Harmonisation of accounting rules would be especially desirable in the European Community, where trade barriers are supposedly coming down and capital flows from country to country are to be liberalised. But what in fact exists is a confusion of accounting tongues which the efforts of Brussels have so far failed to address.

The European Commission began its attempt to reconcile accounting rules long ago.

The Fourth Directive – covering basic accounting rules for limited companies – took 15 years to develop and was adopted in 1978. The Seventh Directive – on consolidated accounts – also enjoyed a long period of gestation before being adopted in 1983. Another directive deals with accounting in the banking industry.

The Fourth Directive did have a major impact on Community-wide accounting rules and has influenced standard setting in countries belonging to the European Free Trade Association.

A research document from the Fédération des Experts Comptables – an organisation representing Europe's accounting bodies – is to be released this week and will show that a high level of basic harmonisation has been achieved.

Yet a number of factors have militated against its success. One was a matter of time: all member-states were late in incorporating it into national law, and some have still to do so, namely Italy, Portugal and Spain.

Critics say that the legislation allowed too many options on certain knotty accounting issues and left too much flexibility to member-states where there were no options. Moreover, it ignored issues such as currency transactions, pensions and taxation.

The provisions of the Seventh Directive are radical. For the first time in many member-states, there will be a legal obligation for companies to present consolidated accounts.

West Germany, Greece, Luxembourg and the Netherlands have so far introduced the directive into domestic law. The UK is doing so with this year's Companies Bill.

There is a growing feeling – among Brussels bureaucrats as well as practising accountants – that a directive is really the wrong sort of instrument to bring about proper harmonisation.

Mr Karel Van Hulle, the civil servant at the European Commission with responsibility for this area, wrote in a recent article in Accountancy, the journal of the Institute of Chartered Accountants in England and Wales: "There is still a long way to go before the harmonisation process is complete.

"Directives may not be the ideal tool to continue the programme – they take years to develop, while accountancy is constantly changing and evolving. So we need to look at other ways of keeping up with those developments."

The forum for this debate is a conference which the Commission is organising for January next year. This is to be attended by representatives of governments of the member-states as well as from standards-setting bodies and interested parties representing investors and other users of accounts. They will be confronted with the reality of a host of different accounting systems within the Community.

These have managed to retain their distinctive characteristics, as if the directives had never existed. The two extremities of opinion – indicative of deep-rooted cultural differences – are represented by the UK on the one hand and West Germany on the other.

The UK approach – followed broadly by the US, Australia and other parts of the English-speaking world – is praised by its supporters for its flexibility and condemned by critics for its laxity. The West German approach is much more dirigiste and legalistic, and is to be found to a lesser degree in many other Continental European countries.

Although UK company law does impinge on accounting requirements – especially in the light of the Companies Act 1981 which incorporates the EC's Fourth Directive – the essence of the UK system is that standards setting is handled by the private sector rather than government.

Accounts have to be prepared in line with Statements

1992 THE EUROPEAN MARKET

of Standard Accounting Practice (SSAPs), rules at present drawn by the Accounting Standards Committee which have no legal force. The monitoring is left to the accountancy profession.

The accountant, acting as auditor, must decide whether a set of accounts is "true and fair", not right or wrong. Mistakes are allowed, so long as they are not "material", ie, big enough to mislead. This is all very judgmental and subjective. The auditor has the power to qualify a company's accounts if they do not meet these criteria. His qualification is deemed a serious reprimand.

A certain toughening-up of the regime is envisaged with the imminent introduction of a Financial Reporting Council, as recommended by the Dearing Committee a year ago this month. But the UK and Germany are still on opposite sides of a philosophical divide.

West German accounting bears the strong influence of tax law and regulations. There are no formally codified accounting standards. There is a wide discrepancy between what private and public companies must disclose.

Profits can be smoothed by using undisclosed reserves such as only banks maintain in the UK. Financial reporting must be "true and accurate".

This means a degree of rigour which does not make it easy for accounting to evolve in response to changing business circumstances.

Rigorous though the requirements are, there is less disclosure than in Anglo-Saxon accounting regimes. There are no binding requirements to present funds flow statements, or information on pensions, earnings per share and directors' interests, for example.

Observers say the different systems reflect different economic circumstances. Many West German companies are privately owned, they argue. Even those that are not will be financed largely by banks rather than via the capital markets.

The banks, often with a shareholding in the company and a seat on the board, will make their lending decisions on the basis of inside knowledge of the company's financial situation. Anglo-Saxon-style accounts are more open because businesses rely more on external investors who are not privy to management accounts.

This argument is supported by evidence of Continental European companies willingly moving to greater disclosure as they seek to tap capital markets in New York and London.

Market forces have driven companies such as Nestlé, the Swiss foods giant, and Scandinavian Airlines System Group (SAS) to present their figures more in line with Anglo-Saxon standards.

A more arcane illustration of this is the way Soviet businesses have had to adopt Anglo-Saxon accounting policies when entering into joint ventures with the West.

In the context of the harmonisation programme, problems arise when the Anglo-Saxon approach is imposed on a country steeped in the Germanic way of doing things, and vice versa. In his article in Accountancy, Mr Van Hulle reports the case of a French shoe manufacturer which refused to publish its accounts last year because its major competitor, an Italian company, was not as yet bound by the Fourth Directive.

Anecdotal evidence suggests that few finance directors in the EC are abreast of these issues, and even fewer ordinary businessmen. But accountants close to the debate are afraid that next January's conference in Brussels could give rise to a set of European accounting standards to supplement the Directives, backed with the full legalistic might of the Commission.

This would give rise to three tiers of standard: international (as pioneered by the International Accounting Standards Committee, a body with no power but great influence, and committed to the Anglo-Saxon approach); national, and European. This is a recipe for confusion and it is inevitable that businessmen – once they realise the threat to their own dialect of the language of business – will square themselves for a fight with the regulators.

Whatever happens in Brussels next January, it would seem that harmonisation of accounts across the Community is still a very long way off.

Oslo set to unveil new Cabinet

By Karen Fossli in Oslo

AFTER a month of delicate negotiations, Mr Jan P Syse, Norway's new Conservative Prime Minister, today announces appointments to his Cabinet.

This will be made up of the *tripartite centre-right coalition* which has formed Norway's new minority government. Mrs Gro Harlem Brundtland on Friday stepped down as prime minister, after presiding over a minority Labour government for nearly 3½ years. She resigned to avoid a no-confidence motion in the 165-seat legislature following Norway's *inconclusive September* election.

As she presided over the *most turbulent economic* period experienced by Norway since the 1930s, Mrs Brundtland's tough policies have included a virtual wage freeze, halting runaway private consumption.

Norway's oil-dependent economy was hit in 1986 when world crude prices plunged to their lowest level in over 10 years. Mrs *Brundtland's* prescription has reined in rampant inflation to 4.8 from 10 per cent.

But the cost of her austerity measures has been high. Norway's unemployment rate has risen to 130,000 (6.4 per cent), its highest level since the depression. The prevailing high jobless rate probably cost her the election.

The new tripartite coalition, which commands just 62 parliamentary seats, is dependent on tacit support from the resurgent right-wing Progress Party, *with 22 seats. In contrast,* the main socialist bloc has 80 seats. Across-the-board support has not been guaranteed by Progress, casting doubt over how long the new government can last. *Ad hoc* deals will have to be made with Progress, which earlier swung a parliamentary vote to put Mrs Brundtland in power.

In the new Cabinet, the Centre is expected to get the municipalities and possibly the trade *ministerial* posts, *while* the Conservatives are expected to get finance and defence, *leaving the Christian People's* party with the foreign ministry and oil and energy.

But the first true test of the coalition is that of dealing with the country's national budget proposal, presented by Labour last week, which provides the basis for an alternative tripartite proposal in which no radical changes are expected.

The proposal presents the greatest difficulties for the Conservative Party, which pledged a *new economic course* based on tax relief and moderate government spending of less than the GDP *increase.*

High-living Liège pays for its spending sins

By Lucy Kellaway in Liège

LIEGE, a Belgian city with a reputation for piety, is on its knees. After decades of high living, the town council has no money left. Its 5,000 workers have been unpaid since the beginning of the month and are out on the streets throwing rubbish around. A pleasant old town centre has turned smelly, *noisy and menacing.*

Firemen have been blocking the traffic, sirens blaring. The city's 88 police *commissioners* at last have something to do – helping the riot squad keep things under control.

Liège is the first Belgian town threatened with bankruptcy since the government transferred power to the regions at the beginning of the year, and its experience must be making every other over-*spending council distinctly* edgy.

Altogether, Belgian cities *owe a remarkable BFr750bn* (£12bn), and though Liège is one of the worst single offenders, with debts of BFr30bn, towns such as Ghent and Antwerp are not far behind.

This time, there is no chance that the government – whose *deficit at about 7 per cent of* GDP is among the highest in Europe – will bail it out. *Instead, it is up to the banks* and the local Walloon regional council to help, but neither is *willing to* do so unless Liège agrees to a radical austerity package which would include laying off 1,000 workers.

This is evidently not popular with the people of Liège, but outsiders take recent events as a sign that Belgium's regional reforms are working.

"One of the good effects of the devolution of power has been *that this kind of thing* can be kept a purely Walloon matter.

"Under the old arrangements, the people would have come to Brussels and started breaking everything up here," says Prof *Jean Stengers of* Brussels University. He argues that as the Walloon region has to balance its budget, it cannot afford to bail out Liège.

'The experience of Liège must be making every other over-spending council distinctly edgy'

In the old days, any refusal by the government to help would have turned into a major political row, with the Walloons accusing the government of being in the pockets of the *Flemish.*

The Liège crisis shows that the Walloons are being just as *tough as the Flemings when it* comes to saving money in politically unpopular ways.

In May, the Flemish authorities caused a small storm in *Limburg* by their decision to shut down Belgium's last big coal mine – a decision which *the national government* had previously proved incapable of taking. Liège will not be able *to start paying its workers* until the Credit Communal gives it a bridging loan to make it solvent once again.

But the bank has refused to provide any money without the guarantee of the Walloon region, which in turn has insisted on an 18-point austerity package, not dissimilar to IMF demands on a Third World debtor.

The town council has reluctantly agreed to all but one – *the requirement that it fire one* fifth of its workers.

In the end, however, it is *going to have to give in or see* its town fall into a state of anarchy.

Mr André Cools, the Walloon minister in charge of the regions, *has no intention of* moving. "I am not the kind of person who can be black*mailed,*" he keeps on saying flatly. For him, this is a test case. For the workers of Liège, it is also a test case of the principle of job security for public employees. But it seems only a matter of time before that principle is abandoned.

Already, 25 members of the town council, including Mr Edward Close, the Socialist mayor, are prepared to accept the programme, while exactly as many oppose it. A 51st member who backs the scheme is in Brazil at the moment. An important issue for Liège and for other Belgian towns waits on his return. Until then, the rubbish will continue to mount in Liège.

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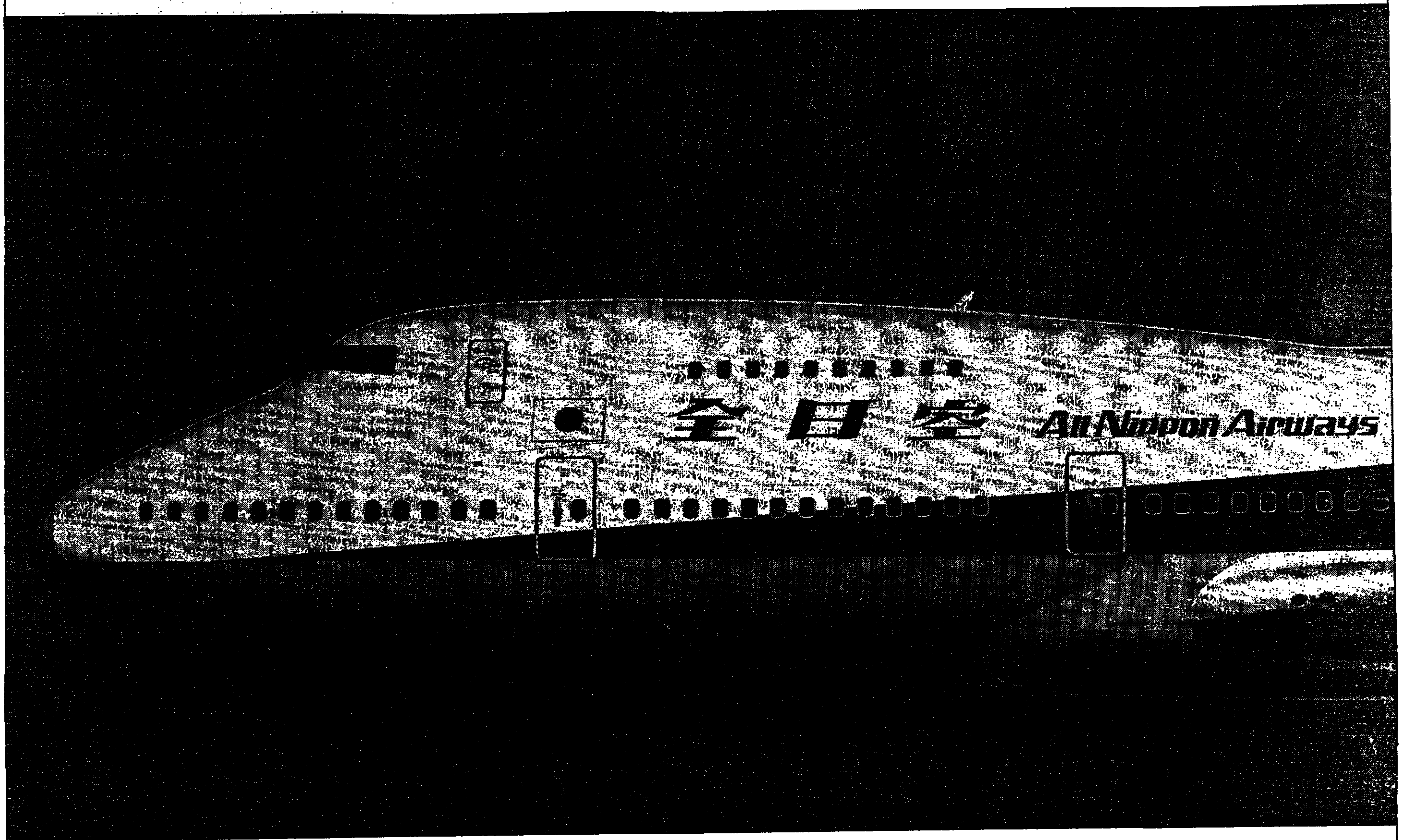

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TOKYO	(TUE.)	NH201 11:20	(TUE.)	15:10 LONDON	
TOKYO	(THUR.)	NH201 11:20	(THUR.)	15:10 LONDON	
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UK NEWS

The new session at Westminster: TV and turmoil

MP's return to assault Government on economy

By Michael Cassell, Political Correspondent

MPS RETURN to Westminster tomorrow with the Government facing an immediate assault on the credibility of its economic policies and an uphill struggle to boost its public popularity.

The fall in US stock market prices came hours after the end of the Conservative party conference in Blackpool, which had helped restore party morale after problems with a range of controversial policies and its recent battering in the opinion polls.

With the possibility today of further turmoil in the international stock markets adding more uncertainty to the economic outlook, ministers last night were anxious to adopt a confident mood but were also concerned not to intervene in a highly sensitive situation. Hopes that the pressure for higher interest rates might now subside were counter-balanced by rising fears of a recession.

Mrs Margaret Thatcher, the Prime Minister, will this afternoon leave for the Commonwealth heads of government meeting in Kuala Lumpur, returning in 10 days time. Before she departs, it is likely that she will see Mr Nigel Lawson, the Chancellor, to discuss government strategy in response to the latest situation.

Her absence means that Sir Geoffrey Howe, the Deputy Prime Minister, will appear tomorrow at the despatch box in the House of Commons to answer questions from Mr Neil Kinnock, the Labour leader. For the first time, television cameras will be operating, although the pictures will not be publicly televised until the State opening of Parliament on November 21.

Mr Lawson will come under attack from Labour for his insistence on high interest rates when he answers Treasury questions in the Commons on Thursday. On the same day, he will make his annual Mansion House speech and, in three weeks' time, he is expected to make his autumn statement to MPs.

The opposition plans as early as possible to use its own Commons time to maintain the assault on the government's economic strategy and to expose what it sees as continuing policy differences between Mrs Thatcher and Mr Lawson.

The start of the Commons overspill period, in which MPs will complete the passage of legislation outstanding from the summer, comes before the Treasury has completed departmental negotiations on 1990-91 spending programmes.

With three key departments – Education, Transport and Social Security – yet to settle, a decision is possible this week on whether the "star chamber" – a circle of close advisers – needs to be established. If agreement on budgets cannot be reached within the next few days a special Cabinet committee under the chairmanship of Sir Geoffrey will be set up.

Dons threaten exams boycott

By David Thomas

BRITAIN'S ASSOCIATION of University Teachers yesterday threatened to boycott this year's university exams and disrupt admissions of new students next year, if the Government fails to release enough cash for a substantial pay rise for dons.

The Association's governing council, meeting in London at the weekend, instructed the union's leaders to draw up a programme of industrial action to support its pay claim.

Union activists believe there might have to be a re-run of this year's bitter dispute in which dons implemented an exams boycott. The union is claiming a 27 per cent increase for 1990-91.

Superstore offers jobs to older employees

By Fiona Thompson, Labour Staff

B&Q, the do-it-yourself retailer, will open its newest supercentre this Friday with a staff recruited almost entirely from the over 50s.

The recruitment of mature staff is part of the company's programme to deal with the demographic timebomb which threatens to create staff shortages in the 1990s.

"By 1993 there will be 1m fewer school leavers coming onto the job market than in 1987," said Mr Jim Hodkinson, chief executive of B&Q. "It is to older people and women returning to work that employers will have to turn to fill this gap."

To attract the 60 new employees needed for the supercentre in Macclesfield, central England, B&Q arranged two open days earlier this year for older people to come and discuss job opportunities. More than 400 men and women attended each session and 600 people subsequently applied for jobs.

The company developed an off the job training scheme for the 60 staff, specially designed to meet the needs of the mature recruits.

B&Q believes the over 50s will add a positive dimension to their store teams. They have experience, customers feel confident about taking advice from them, and staff turnover is much lower, Mr Hodkinson said.

Sexual inequality in earnings still high

By Fiona Thompson

PAY DIFFERENTIALS between men and women in non-manual employment are wider now than at any time since the Equal Pay Act came fully into force in 1975, according to an Equal Opportunities Commission report out today.

Men receive higher basic hourly earnings than women because of widespread job segregation. Women work in different and lower paid occupations than men and are concentrated in the lower grades of payment structures.

The report, Women and Men in Britain 1989, points out that the pay differentials are wider for women in white collar jobs than for manual workers. Full time female manual workers earn 72 per cent of the average hourly pay of male manual workers. Female full-time white collar workers earn only 61 per cent as much as their male counterparts.

For part-timers the situation is even worse. Female part-timers in manual work earn 64 per cent and female white collar part-timers just 49 per cent of their male full-time equivalents.

An "overwhelming picture of inequality in Britain" is what emerges from the report's findings, according to the EOC. As well as earning less than men, women take on the main responsibility for childcare and looking after elderly dependents, they are segregated into traditional jobs and held back by lack of training and childcare facilities.

Launching the report, Ms Joanna Foster, chairwoman of the EOC, said: "Despite the urgent national shortage of skills, at a time when international competition is increasingly challenging Britain's ability to perform, these statistics illustrate all too powerfully how traditional attitudes and lack of flexibility or willingness to adapt, still hold women back."

Career prospects for girls and boys are affected by the subjects studied and exams taken. Women make up about two fifths of the labour force and their share is expected to have increased to 44 per cent by the end of the century.

Retailers face hard times, survey says

By Peter Norman, Economics Correspondent

RETAILERS face a grim outlook with the latest increases in mortgage rates likely to restrict already subdued sales, the latest Confederation of British Industry/Financial Times distributive trade survey suggests.

The survey of nearly 500 companies in the retail, wholesale and motor trades found sales growth reported by shops and stores in September was little changed from the first half of this year and well below that of a year ago.

The survey, which was mainly carried out last month before the recent increases in bank base rates and mortgage rates, disclosed a slight quickening of the annual growth rate of retail sales in September compared with the August survey but a substantial drop in motor sales compared with September 1988.

According to Mr Nigel Whittaker, the chairman of the CBI's distributive trades survey panel, the annual rate of sales growth in both August and September was low compared with strong sales growth a year ago.

The survey reflects "a level of trade in the high streets that can only be described as subdued," Mr Whittaker said. "With sales growth already low, another mortgage rate increase now means that the outlook for retailers in the coming months is likely to be tough," he said.

Mr Whittaker said that the last two surveys provided evidence that the slowdown of consumer demand, which is sought by the Government to cut inflationary pressures, is being sustained.

Financial markets will be looking for further evidence of the slowdown today when the Government publishes its provisional data on retail sales in September. Among City analysts the consensus is that retail sales will show a seasonally adjusted 0.3 per cent increase compared with growth of 0.4 per cent in August.

The CBI/FT survey found that clothing shops reported the best sales increases last month, while retailers of durable household goods, booksellers and stationers and shops selling household textiles, furniture and carpets all said sales were lower than the year before. After a sharp drop in sales last month, motor traders expect a further sales decline in October and plan to cut back their orders to suppliers, the survey disclosed.

Public sector pay policy faces changes

By Michael Smith

PUBLIC SECTOR pay determination is likely to undergo permanent changes in at least some services, according to a report by the Public Finance Foundation.

The changes include a move towards greater pay flexibility after a decade of relative stagnation.

"Our conclusions refute any notion that a comprehensive 'attack' or set of 'reforms' occurred during the 1980s," the authors say.

The National Health Service and the civil service will bear most of the early reforms. In the NHS, there could be substantial changes where hospitals choose to "opt out" and become largely self-governing corporations.

The civil service changes will follow the recommendations in last year's Ibbs Report to create independently operated executive agencies from government organisations.

Jobs in them are expected to be allocated to pay bands, based on job evaluation, with pay increases determined by achievement.

Selective increases and pay allowances are likely in response to recruitment and retention problems.

The proposals develop the more flexible approach already in the pay structures agreed recently with a range of civil servants.

APPOINTMENTS

Changes at J.M.Jones

■ Mr Ian Richards has been appointed managing director of J.M. JONES newly-formed western division, incorporating Longs of Bath, Longs Electrical, and J.M. Jones & Sons (Joinery). He was group construction director, and is succeeded by Mr John Hogbin, who was contracts director. Mr Martin Evans has been appointed commercial director. He joins from Wiltshier DMC where he was project director. Mr Barry Blunt becomes management information systems manager. He was senior assistant director, High Point Rendel Group.

■ Mr Gary Fitzgerald has become an additional director at NEW THROGMORTON TRUST (1983).

■ Joining the board of Simon Automation are: Mr Alan Holder, managing director of SIMON's paper engineering sub-group; Mr Jack Barlow, electrical applications manager at sister company Holder Pamac, who becomes director of process control; and Mr Colin Willis, sales manager, who is promoted to sales director.

■ Mr Rodney James has joined BT FINANCIAL SERVICES INFORMATION SYSTEMS CORPORATION, a subsidiary of Bankers Trust New York Corporation, as associate director sales and marketing, Europe. He was formerly at Telerate Europe Gulf.

■ Mr Michael Stephenson has been appointed investor relations manager, Midland Bank. He was an industry group head in Midland

Mr Peter Viccary (above) has been appointed operations director of the NEWSON GROUP from November 1. Mr Wilf Clarke-Jones will become personnel director.

Montagu Corporate Banking.

■ Mr Colin H. Paterson has joined STANDARD CHARTERED MERCHANT BANK as an executive director. He was with J. Henry Schroder Wagg & Co.

■ MI GROUP has appointed Mr Bob Edgell as broker division manager, Bristol. he was with Abbey Life.

■ Mr Ian Farnsworth has been promoted to the new post of general manager, European businesses, in NATIONAL WESTMINSTER BANK's international businesses sector. He was director of European businesses.

■ THE INSTITUTE OF MANAGEMENT SERVICES has appointed Mr Allen Brobyn as director from October 30. He was secretary, Finance Houses Association.

■ Mr C.M. Winter, group chief executive of The Royal Bank of Scotland Group, has been elected chairman of THE COMMITTEE OF SCOTTISH CLEARING BANKERS.

Marketing man for Ratners

■ Mr Simon de Mille, a group account director with Saatchi & Saatchi Advertising, moves on November 1 to the new post of group marketing director with the RATNER GROUP.

■ Mr David Moss has been appointed investment director of CAVIAPEN INVESTMENTS to advise the Civil Aviation Authority superannuation scheme. He was vice chairman of Barclays de Zoete Wedd Investment Management.

■ Mr Joe Logan has been appointed to the Scottish board of NORTHERN ROCK BUILDING SOCIETY. He is managing director of The Scotsman Publications, and on the board of Thomson Regional Newspapers.

■ RODENSTOCK U.K. has appointed Mr Cliff Fisher as financial director. He was with Coloroll.

■ Mr Tim Jackson has been appointed managing director of HARDCHROME (POOLE), and Mr Tim Entwistle becomes finance director.

■ Mr Peter Heming Johnson has been promoted to dealing director at HOENIG & CO.

■ BRUCE LINDSAY BROTHERS, Edinburgh, has appointed Mr Ken Fraser as chairman following the retirement of Mr Hugh McMichael. Mr Charles Sharp, managing director, is to become group chief executive. Mr Fraser is chairman of Fraser & Partners.

Mr Peter Dimeloe (above) has been made marketing director at QUALCAST GARDEN PRODUCTS. He was marketing director at Triton Showers.

■ Mr Gus MacMillan has been appointed senior assistant manager at THE ROYAL BANK OF SCOTLAND's franchise and licensing department, Edinburgh.

■ Mr Andrew Thomas has been appointed managing director of the ANGLO INTERNATIONAL GROUP, Isle of Man. He was finance director.

■ Mr David T. Jordan has become managing director of John Nugent Construction, Nugent Projects, and Nugent Smallworks, and has joined the board of the parent company, THE NUGENT GROUP. He was a director of the Lesser Group.

■ Mr Tom Ekin has been appointed chairman of the LINFIELD GROUP. Formerly vice chairman, he succeeds Mr Peter Larmor who has retired. Mr John Robinson has been appointed managing director of Ulster Weavers, a subsidiary.

■ ALEXANDERS HOLDINGS has appointed Professor Sir Alan Peacock and Mr Robert Ian Coleman as directors.

Barclays precious metals dealer

■ BARCLAYS global treasury services has appointed Mr Michael Olliff-Lee as head of precious metals dealing. He was vice president and head of precious metals at Union Bank of Switzerland's London branch.

UK NEWS

Gould promises curbs on new mortgage lending

By Michael Cassell, Political Correspondent

A LABOUR government would impose controls on new mortgage lending in order to curb the unprecedented explosion in building society credit and to help drive down inflation, Mr Bryan Gould, Labour's trade and industry spokesman, said yesterday.

Mr Gould, who warned that a stock market fall could, on top of a massive trade deficit, high inflation and high interest rates, push Britain "over the brink into recession," attacked the Chancellor's high interest rate policy.

He said Labour would implement more specific measures to deal with inflation in a way that did not handicap efforts to build up the supply-side strength of industry.

Speaking on London Weekend Television, he claimed there was no possibility of British industry escaping recession if interest rates remained at present levels. Labour, he said, would be committed to getting them on to a steadily downward path and would rely on other instruments to deal with the short-term problem of excessive demand.

In calling for credit controls, Mr Gould acknowledged that 85 per cent of personal credit involved mortgages, where he said unrestrained lending had induced a willingness among people to step up borrowing.

Mr Bryan Gould: attacked high interest rate policy

He emphasised that existing home buyers would not be affected by controls, but that stricter conditions governing the provision of new home loans would be introduced. He added: "The element of new borrowing which has stoked up an unacceptable degree of asset inflation should be reined back".

Mr Gould suggested that the repayment periods and the earnings multiples used to calculate mortgage advances would be adjusted if borrowing was rising too quickly. Special conditions would apply to first-time buyers, so as not to prevent them getting on to the home ownership ladder.

With Mr John Smith, Labour's shadow chancellor, today beginning a tour of European countries to discuss a range of economic issues with finance ministers and central bankers, Mr Gould said his party was right to explore the conditions on which a Labour government would take Britain into the exchange-rate mechanism of the European Monetary System.

Mr Neil Kinnock, the Labour leader, has called on the government to begin immediate talks on entry. Mr Gould, who is known to have deeper reservations than some colleagues about ERM benefits, said it would help in the fight against inflation, but would provide no guarantee of success.

Labour has set down four points contingent upon entry into the ERM, involving the rate at which Sterling enters, central bank swap arrangements, a co-operative growth strategy and progress on European regional policy.

Party leaders have been anxious not to describe the points as preconditions, although that is how they were described.

Ashdown to announce result of name ballot

By Michael Cassell, Political Correspondent

MEMBERS of the Social and Liberal Democrats are understood to have voted decisively in favour of adopting the short title Liberal Democrats for their party.

The result of a ballot among members will be announced today by Mr Paddy Ashdown, the party leader. He hopes it will end the continuing internal controversy over the issue, which is thought to have proved electorally damaging.

The choice of a popular name for the party has remained largely unresolved since it re-established itself after the split with the Social Democratic Party. Many members have been determined to see the short title incorporate the word Liberal.

Mr Ashdown averted a damaging row at last month's annual conference by keeping the issue off the agenda and promising a full ballot of the party's 88,000 membership.

The party leadership hopes that the decision will mean an end to the continuing confusion, which led to MPs, election candidates and rank-and-file members using a range of hybrid titles.

Sky gets five-year commitment

By Raymond Snoddy

MR Rupert Murdoch promised yesterday he would keep his satellite venture, Sky Television, going for at least five years, even though it is at present losing more than £2m a week.

Mr Murdoch, chief executive of News Corporation, made the pledge in a television interview on the Channel 4 series Answering Back.

The series is constructed around interviews with senior businessmen, financiers and politicians, conducted by Ms Mary Goldring, a former journalist with the magazine The Economist.

Mr Murdoch conceded publicly for the first time that losses for the first year of the four-channel satellite service, which was launched in February, might reach £120m.

Ms Goldring asked whether his commitment to Sky was open-ended. He replied: "Let's say five years. It's going to take time to do this and to break through."

Mr Murdoch went on to declare that, after five years, "We'll either have a few million people with dishes, subscribing and happy, or we'll have to admit we were wrong".

When he was asked if he would close Sky down if it was still not working out after five years, he replied: "Oh, absolutely, unless someone else would like to buy it and try again."

Mr Murdoch said that through Sky he was trying to build something worthwhile and that he was very proud of the venture, particularly of the news channel.

Nevertheless, he went on to emphasise that his primary enthusiasm was and would remain newspapers.

He insisted that his newspapers were instruments for good and not merely vehicles for making money.

He said: "I think our papers have high moral values, absolutely. And if they don't, they should have."

He predicted a strong revival of religion in the UK, in which families of people who were now better off would be looking for a moral dimension to their lives.

Mr Murdoch said that The Sun, and by implication himself, was not Tory but Thatcherite.

He explained: "Toryism to me, that word is conservatism and privilege and the old world.

"Thatcherism is change for a new world and opening up opportunity for ordinary people in this country."

Rupert Murdoch: satellite losses may reach £120m

Competition pledge by European TV federation

By Raymond Snoddy

A NEW federation of European commercial broadcasters including Britain's ITV companies has denied that it plans to compete directly for programme rights with the European Broadcasting Union, which links public-service broadcasters.

Mr Richard Dunn, the ITV association's chairman, said at the weekend that the Association of Commercial Television in Europe (ACT) did not plan centralised buying of programmes in competition with the EBU. Mr Dunn was speaking in Cannes at the launch of the charter of ACT, which links Europe's five largest commercial broadcasting organisations.

The association has come out firmly against European Community quota plans to protect European programme production. The association believes programme quotas serve to increase artificially the volume of programme hours produced and repeat shows and does not guarantee the production of quality television.

Mr Silvio Berlusconi, the Italian commercial broadcaster and chairman of ACT, claimed that the "quota directive [of the EC] forces us to make product of low quality."

That would happen if US imports, which are cheap because production costs are written off in the large US markets, had to be replaced by European production which was not properly funded. "We want to produce high-quality programmes and conquer the international market and even the American markets," he said.

Chancellor advised to end stamp duty

By Peter Norman, Economics Correspondent

STAMP DUTY should be abolished in the next Budget to help to maintain London's attractions as an international financial centre and enhance the mobility of labour in Britain, according to a report from the Adam Smith Institute, the free-market think tank.

The report, by Mr Nicolas Gibb, points out that stamp duty brought in only £2.4bn in revenues in 1988 to 1989 – only 1.3 per cent of the £185bn of government revenue that year.

Mr Gibb says the 0.5 per cent stamp duty levied on share transactions put the London equity market at a competitive disadvantage compared with France and West Germany, where rates of tax on the transfer of shares are significantly lower than in Britain.

The 1 per cent duty imposed on sales of houses costing more than £50,000 increases the cost of moving house and is a factor reducing the level of mobility.

The call to abolish stamp duty is the second Budget submission from the institute this month. Earlier, it advocated legal and tax changes to encourage employee share ownership.

Although most economists believe that Mr Nigel Lawson, the Chancellor, has very little scope to cut taxes next March in spite of a large Budget surplus, the institute clearly believes he has plenty of opportunity to keep up tax-related reforms on the supply side of the British economy.

Duty to Repeal, by Nicolas Gibb. Adam Smith Institute, PO Box 316, London SW1P 3DJ. £7.

Hambros venture arm plans further expansion

By Charles Batchelor

HAMBRO European Ventures (HEV), the European management buy-out and development capital arm of the Hambros banking group, is expanding its activities.

The Industrial Bank of Japan has become its first Far Eastern investor, with a commitment of £5m, while Hambros plans a further increase in the total funds it manages from the present level of £31m to between £50m and £75m.

It is negotiating with two more European financial groups to join its list of backers and also hopes to obtain further funds from the US.

At present, funds have been committed by eight investors including Hambros Group, with £10m, Assicurazioni Generali of Italy, Bilbao Merchant Bank of Spain, Heller Overseas Corporation of the US and First City Financial Corporation of Canada.

Hidden fees 'increase costs for pension funds'

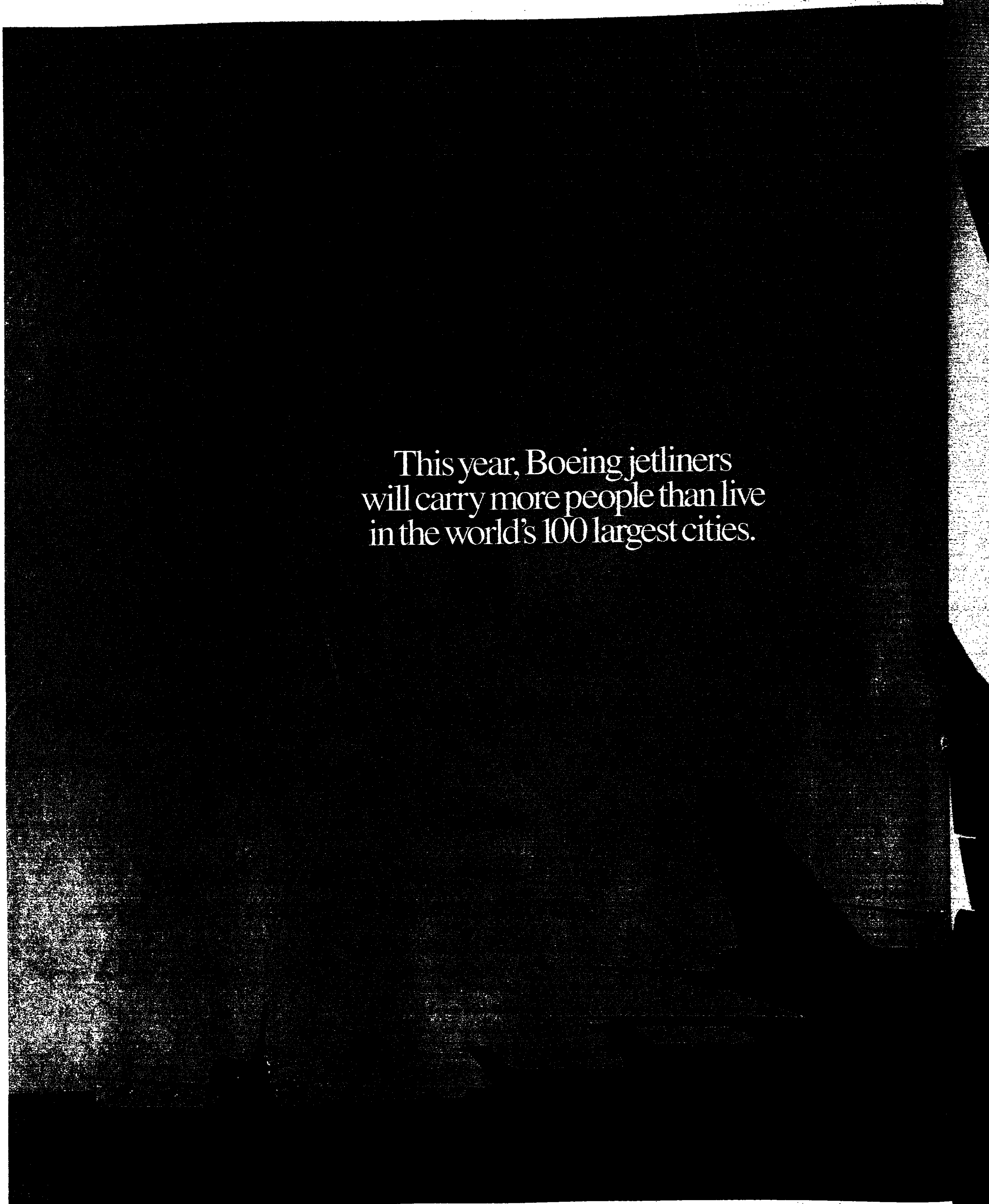
By Barry Riley

HIDDEN FEES continue to be incurred on a large scale by UK pension funds, according to a survey of British pension schemes by the US consultants Greenwich Associates.

Although the average fee charged by external portfolio managers is 19 basis points (0.19 per cent) the consultants estimate that the extra charges, which may be imposed more frequently than many schemes realise, bring total costs up to the 25-30 basis points range.

More than 90 per cent of scheme officials said that they would prefer a "clean" charging basis. That would bring typical charges closer to the levels in the US, which average 36 basis points.

UK Pension Funds 1989. Greenwich Associates, Office Park Eight, Greenwich, Connecticut 06830, US. Tel. 203 629 1200.



Boeing jetliners will carry the equivalent of 12% of the world's population this year.

That's more people than live in Tokyo. New York. London. Beijing. Mexico City. Paris. Bangkok. Rio. Sydney. Cairo. And nearly a hundred other major cities.

The actual number of passengers will be about 675 million.

That sounds, of course, like an unbelievably large number.

But when you consider that Boeing airplanes take off or land about a million times a month, an

Hospitals seek economies as cash runs short

By Alan Pike, Social Affairs Correspondent

THE NATIONAL Health Service will be at the centre of fresh political controversy this week, with hospitals saying they are again short of money and Mr Kenneth Clarke, the Health Secretary, taking steps to impose disputed contracts on family doctors.

Kenneth Clarke: will impose contracts on GPs

A report to be considered by the executive of the National Association of Health Authorities will show that authorities throughout the country are facing shortfalls in the present financial year because of the effects of rising inflation. Many are already seeking economies.

Widespread bed closures and service reductions in late 1987, as health authorities fought to remain within financial targets, precipitated the situation that led the Government to decide on a review of the NHS.

Mr Clarke will be introducing legislation to implement the changes proposed in the review this autumn.

Another spate of financial difficulties while the bill was in Parliament would enable opponents to focus on one of their core criticisms of the reforms – that none of the Government's proposals will increase Britain's spending on health, which is low by international standards.

In last year's Autumn Statement Mr Clarke won a generous settlement for health that should have avoided the type of difficulty now emerging over hospital spending.

The real value of the settlement, however, depended on the course of inflation. The Government's cash allocations to health authorities assumed 5 per cent inflation, while health service managers now expect their costs to rise by around 7 per cent.

Pay awards, which have the biggest single effect on health authority budgets, were settled relatively early this year. That gave managers some breathing space in which to plan any necessary economies – but several years of pressure for improved efficiency means the easy options have already been taken.

Mr Clarke will today announce that he intends to place regulations before Parliament imposing new contracts on general practitioners from next April.

The contracts – reflecting the spirit of the Government's health reform white paper, Working for Patients – will make GPs' pay more performance-related.

British Medical Association leaders reached agreement with Mr Clarke on the contracts in May, but were overturned in a ballot of their members.

The BMA's general medical services committee will meet on Thursday to consider its reaction to Mr Clarke's decision to impose the contracts. Some doctors favour precipitating a crisis for the Government by mass resignation from the NHS. Others have suggested such tactics as refusing to cooperate with administrative changes.

"I have never seen the profession with such seething discontent at every level," said Dr Michael Wilson, chairman of the general medical services committee, yesterday. He said doctors were now talking openly of resigning from the NHS, although that would be a last resort.

Mr Clarke, interviewed on BBC television's On the Record yesterday, said he did not think many doctors would want to withdraw services from the public in an argument over pay and conditions.

Straw seeks details of student loan indemnity

By John Mason

MR Jack Straw, Labour's Education spokesman, yesterday demanded the publication of details of the indemnity that banks and financial institutions involved in the student loans scheme could be given to guard against possible policy changes by future governments.

In a letter to Mr John MacGregor, the Education Secretary, he said the indemnity being sought by the banks illustrated their lack of confidence in the long-term future of the scheme.

Mr Straw also said the scheme, while it would reduce students' income, would cost the taxpayer more than the grants system until well into the next century.

Meanwhile, the Government yesterday advertised for a managing director of the new student loans administration company at an annual salary of £55,000 plus bonus, David Thomas, Education Correspondent, writes.

The administration company, which will be owned by financial institutions but fully funded by the Government, is to be based in Glasgow and is expected to be fully operational by August.

The advertisement is a further sign of the Government's confidence that a range of high street financial institutions will agree to participate in the scheme, although none has formally done so yet.

Fashion trade hangs on by a thin thread

Alice Rawsthorn on the reasons behind the struggle facing the clothing industry

EVERY day the narrow streets to the north of Oxford Circus in London's West End are crammed with vans and lorries loading and unloading rails of clothes for the fashion wholesalers that operate in the area.

But the rush in the centre of London's traditional fashion trade belies tough times for the sector.

The combination of sluggish consumer spending and intense pressure on profits has made its retail customers much more cautious about placing orders, and the mood of the fashion district is much more subdued than usual.

The wholesalers now face the same tough trading climate that has beset the clothing manufacturers since the start of this year.

The industry is struggling in the most difficult conditions since the economic recession of the late 1970s and early 1980s. There are already reports of short-time working and redundancies. Company closures seem inevitable.

PAUL MURPHY

Clothing shops are full of the latest fashions, but the customers are staying away

The £4.7bn clothing industry is one of the most labour-intensive areas of manufacturing, with a workforce of more than 220,000, concentrated in the inner cities. The industry is polarised between the huge production plants owned by Courtaulds and Coats Viyella, the giant textile groups, and the tiny sweatshops in the back streets of London, Glasgow and Manchester.

For the past year or so, the manufacturers have had to cope with a rapid rise in imports fuelled by the strong pound. The value of clothing and knitwear imports into the UK rose by 12 per cent to £3.1bn in 1988, according to the British Clothing Industry Association, and by 16 per cent to £1.6bn in the first half of 1989.

The rise in imports has not only eroded the market share of UK companies but has put intense pressure on prices and profitability.

Many manufacturers have been forced to choose between losing orders or keeping the business at unrealistically low prices.

Since the start of this year, the import issue has been made worse by the instability of the retail sector, with soaring overheads and sluggish consumer spending. Two of the largest clothing groups, Storehouse and Next, are also in internal disarray.

The uncertain economic outlook has already forced retailers to be more cautious about forward ordering. When spending slowed down in the spring, they also started to cancel orders. Given that it takes so long for consignments of clothing to arrive from the Far East, the UK companies bore the brunt of the cancellations.

Retailers are also being far tougher in negotiating the price of new orders. Last month, Littlewoods wrote to the suppliers of its chain store division asking for retrospective discounts – believed to be of about 3 per cent – on all orders placed since the start of this year.

It is not unknown for retailers to ask suppliers for retrospective discounts, but only for short periods. One Littlewoods supplier said he would pay the discount, but that it might "cripple" his business. He described Littlewoods' request as "absolutely scandalous."

The state of the retail sector is so unstable that credit periods are being prolonged and manufacturers are starting to worry about whether they will be paid. One manufacturer said: "It is dreadful. We have not even had to think about retail bad debts for years."

Many companies have already experienced a fall in profits. Some have tumbled into losses. Others are struggling to accommodate an increase of about 8 per cent in labour costs at a time when prices are falling in real terms. Stocks are rising across the industry, straining cash flow.

The larger groups – such as Courtaulds, Coats Viyella and Response – have already resorted to redundancies. Mr John Wilson, director of the BCIA, said that, so far, most companies had managed to restrict their cost cutting to short-time working and natural wastage. But trading was very tough and "some companies are teetering on the edge."

The industry has at least the consolation that exchange rates are now markedly more favourable. The pound's recent weakness has ensured that UK companies are more competitive against Far Eastern counterparts.

It takes six to nine months for currency changes to influence the flow of trade. In theory, the industry should benefit from the weaker pound from early next year onwards. However, last week's increase in base rates may jeopardise the chances of recovery.

Mr Martin Taylor, chairman of Courtaulds Textiles, said it was too soon to assess the impact of the base rate rise but it was bound to be "negative."

In the meantime, all the industry can do is struggle along until conditions improve. Although, as Mr Wilson of the BCIA says, there is a very real risk that some clothing companies simply will "not be able to last that long."

Clothing and shoe sales growth falls

By Maggie Urry

THE GROWTH rate of retail sales through clothing and footwear shops fell during the summer to levels not seen since 1982, but the outlook for 1990 is brighter, according to a report from Corporate Intelligence Group.

The retail research company says that clothing and footwear shops' sales rose sharply between 1983 and 1988, with growth in volume terms of 7 per cent to 9 per cent a year.

So far in 1989, volume growth has dropped sharply, with volume static in June and down 3 per cent in July – the first monthly fall since 1981.

The report suggests that the volume of sales will rise by about 4 per cent to 5 per cent in 1990, taking sales to a level 75 per cent above that in 1980. The forecast assumes a reduction in interest rates.

Menswear shops have suffered more than women's wear retailers, with competition increasing from mixed goods retailers such as chain stores. Volume has been falling since the last quarter of 1988.

Women's wear shops lagged behind the trend in menswear sales by six to nine months, and have seen volume growth in double-figure percentages for the last four years. Volume turned down only in June.

Retail Research Report. Corporate Intelligence Research Publications, 51 Doughty Street, London WC1N 2LS. Annual subscription £495 for 10 issues.

Hallmark rise boosts jewellery trade

By Kenneth Gooding, Mining Correspondent

THE JEWELLERY trade's expectation of escaping the sharp downturn in demand that has affected most other retailers is boosted today by figures from the Assay Offices of Great Britain.

The Assay Offices report a 27.3 per cent rise in the weight of gold articles hallmarked in the third quarter compared with the same months last year.

The figures, which are usually a barometer of the jewellery trade's expectations of consumer demand in the coming months, show that nearly 8m gold articles weighing just over 22m grams were marked in the quarter.

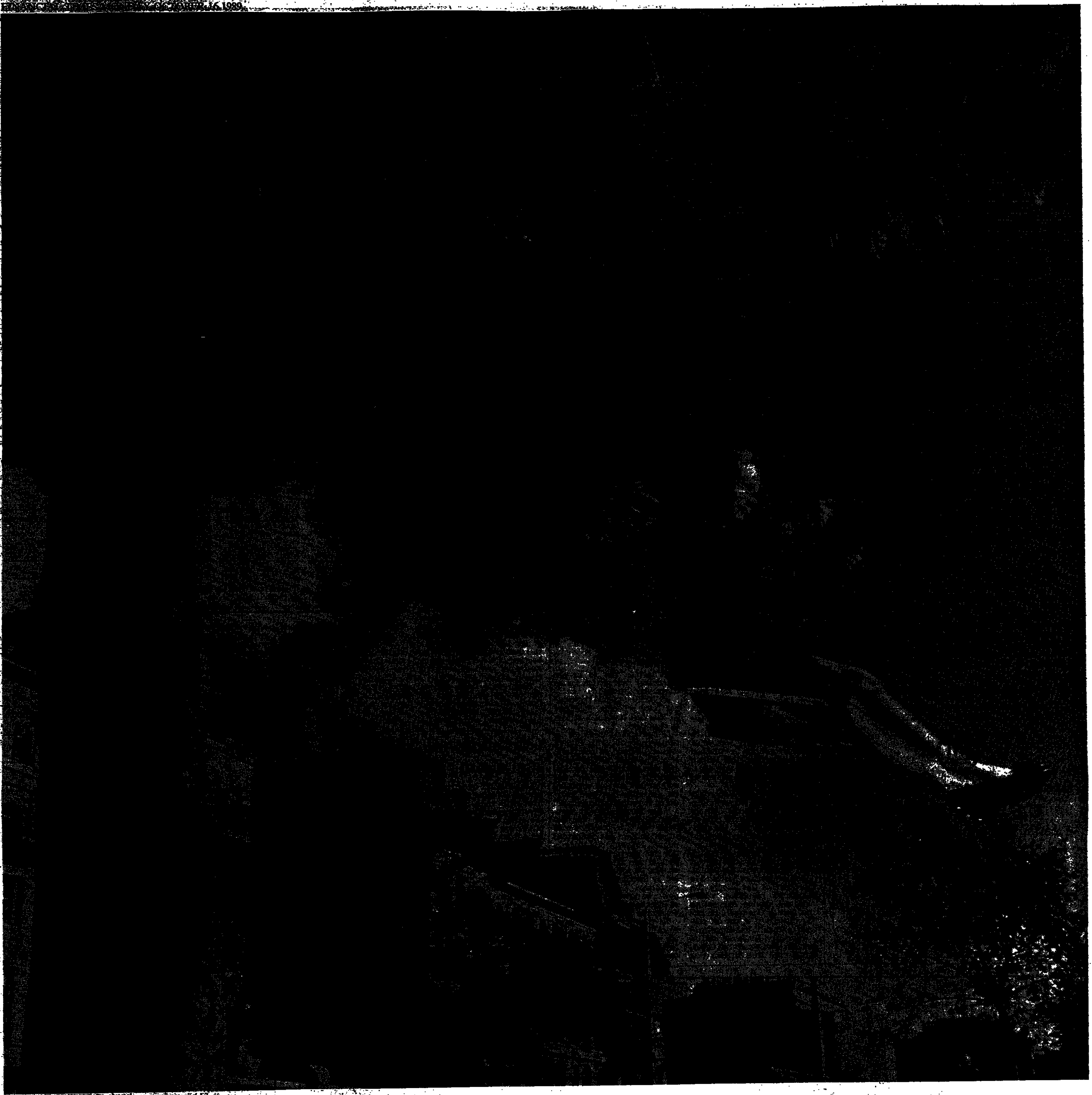
The weight of silver items hallmarked also rose strongly, by 12.3 per cent to 16,341 kilograms.

The Assay Offices commented: "The figures continue to reflect a very buoyant jewellery trade, which augurs well for a very busy period in the run-up to Christmas."

Imported articles took the lion's share of increases both for gold and silver in terms of both numbers and weight.

For example, the weight of imported gold articles hallmarked in the quarter jumped by 49 per cent to 9.5m grams.

As usual, platinum jewellery lagged behind gold and silver. In the quarter, the weight of platinum articles hallmarked rose by only 4.5 per cent to just under 12,000 grams.



UK NEWS

Data processing skills shortages 'hurts companies'

By Alan Cane

DATA PROCESSING in most British companies has suffered and will continue to suffer from a shortage of skilled computer specialists, according to a survey.

It shows that managers in about 70 per cent of UK data processing installations believe that staff shortages have caused delays in the development of software and adversely affected the quality of applications programs.

The survey, by Hunt Market Research for Protocol International, the computer staff training consultancy, is pessimistic about the future.

It says: "Our respondents' outlook regarding future skills shortages is bleak and most forecast that the situation will become worse."

The survey is based on opinions gathered from a sample of 512 companies from most industrial sectors including manufacturing, finance, local government, retail and leisure.

More than half the respondents used International Business Machines Equipment, while the "second division" comprised International Computers and Digital Equipment users.

The survey is further confirmation that a shortage of skilled data processing specialists is now endemic in the UK computer industry. It seems certain to get worse as the number of school leavers in the UK declines sharply.

About two thirds of the firms surveyed said they had increased their staff in the past five years, but recruiting staff was a continuous difficulty, managers complained, with an average number of vacancies of 10 per installation in the last year.

Applications programmers, people who write computer programs designed to carry out specific business tasks, were in most demand, followed by analysts, computer operators and networking specialists.

Only about 10 per cent of installations were short of managers.

The survey highlighted the growth of contract programming, one of the more significant trends to emerge in recent years. Contract programmers are comparatively experienced data processing specialists who work on a freelance basis, earning perhaps double the fee they could expect as a salaried employee.

Independent studies by the consultancy Price Waterhouse suggest that there are more than 20,000 contractors in the UK computer business earning an average, at 1988 prices, of £27,491 (£30,758 in London).

It is recognised that a prime cause of the shortage of skilled staff is the computer industry's erratic record on training.

The survey concludes that expenditure per employee, even in installations where education and training was taken seriously, amounts to hundreds rather than thousands of pounds.

Meeting the Challenge, based on the survey of the recruitment crisis. Protocol International, Number One, Royal Exchange Square, Valpy Street, Reading, Berkshire RG1 1RH. Report and survey together, £125.

Gas supply cuts plan is dropped after protests

By Max Wilkinson

BRITISH GAS has backed down from a plan to make routine cuts in supply to certain large industrial customers as a result of pressure from the Government-appointed regulator.

The supply cuts were to be made to customers who opted for cheaper tariffs in exchange for an agreement that British Gas could interrupt supplies if it ran short during periods of peak demand.

A report by the Monopolies Commission last year said British Gas must publish all its prices in the industrial market. In the light of that, the company said customers opting for the cheaper "interruptable" tariffs would be cut off a minimum number of times a year, even if supplies were plentiful.

Many companies protested to the Office of Gas Supply, the industry's regulator, which obtained advice suggesting that British Gas would be acting illegally if it cut off customers when it had supplies.

Yesterday, Mr James McKinnon, director general of Ofgas, announced that British Gas had agreed "not to invoke mandatory interruption for an experimental period."

Mr McKinnon said the original price schedule, published in May had brought a stream of complaints.

"I had a duty to follow up those concerns with British Gas on behalf of complainants," he said. "I held extensive discussions with the company to establish the most appropriate way of resolving the anomalies that were inherent in the published schedule."

When British Gas was privatised, the regulator was not given power to interfere with its pricing in the industrial market. However, the Monopolies and Mergers Commission decided that the company was abusing its position in the market by discriminating between customer. Ofgas now has power to oversee the structure of industrial tariffs, but not to determine their level.

As part of its recent agreement British Gas is to set tariffs in such a way that there is a smooth gradation between one tariff band and another.

CBI/FINANCIAL TIMES DISTRIBUTIVE TRADE SURVEY

Slowdown in consumer demand continues

By Peter Norman, Economics Correspondent

RETAIL SALES growth recovered slightly for the second month in succession last month but it remains little changed compared with the growth rates of the first half of this year and well below the growth seen last year.

The evidence of a sustained slowdown in consumer demand is in the latest Confederation of British Industry/Financial Times distributive trade survey and should encourage the Government and financial markets.

According to the survey, which polled 482 companies in the retail, wholesale and motor trades between September 8 and October 4, overall distributors' sales volumes in September grew at a slightly faster annual rate than in August. However, the balance of companies reporting sales higher than a year ago represented "one of the slowest rates of sales growth on record."

Wholesalers also indicated faster year-on-year sales increases in September than in August, while motor traders reported sales substantially lower than in September 1988.

Of the 295 retailers questioned, 52 per cent said that sales volumes in September were higher than a year earlier while 25 per cent said they were lower. The difference between the two, which gives a guide to the trend, was a balance of 27 per cent — up on August's 21 per cent and July's record low of 2 per cent but well below the 54 per cent balance reported in September last year.

The 27 per cent balance of traders reporting higher sales was lower than the 41 per cent balance of retailers in August who had said they expected a sales increase last month. A balance of 32 per cent of retailers expected higher sales in October relative to 1988.

Comparatively few retailers reported that sales were good for the time of year. The survey reported a positive balance of just 4 per cent in answer to this question, compared with a balance of 2 per cent saying that sales were poor for the time of year in August.

There were some signs of cautious optimism for the future. A balance of 11 per cent of retailers expected good sales for the time of year this month and they placed more orders in September than in August. A balance of 11 per cent placed higher orders than at the same time last year compared with 6 per cent in August.

Clothing retailers reported *the best sales increases while* retailers of durable household goods and books indicated sales below September 1988 volumes. Shops selling household textiles, furniture and carpets suffered from the freeze in the housing market, with a balance of 60 per cent of those polled reporting sales below those of last year.

A similarly gloomy picture emerges from the 47 motor traders polled. Only 19 per cent reported higher sales in September compared with 48 per cent who said that sales were down on a year ago — a balance of 29 per cent reporting a drop in sales last month.

A balance of 24 per cent said that sales in September were poor for the time of year while 35 per cent of the companies polled said they expected sales in October would be below those of October last year.

Vehicle traders continued to indicate lower sales while companies selling parts and accessories said that sales last month were higher than in September 1988.

For the second survey in succession, motor traders placed a lower volume of orders with suppliers than at the same time a year ago. Orders are expected to stay below last year's volumes during the present month while stocks, having grown in relation to expected sales in September, are expected to grow again this month.

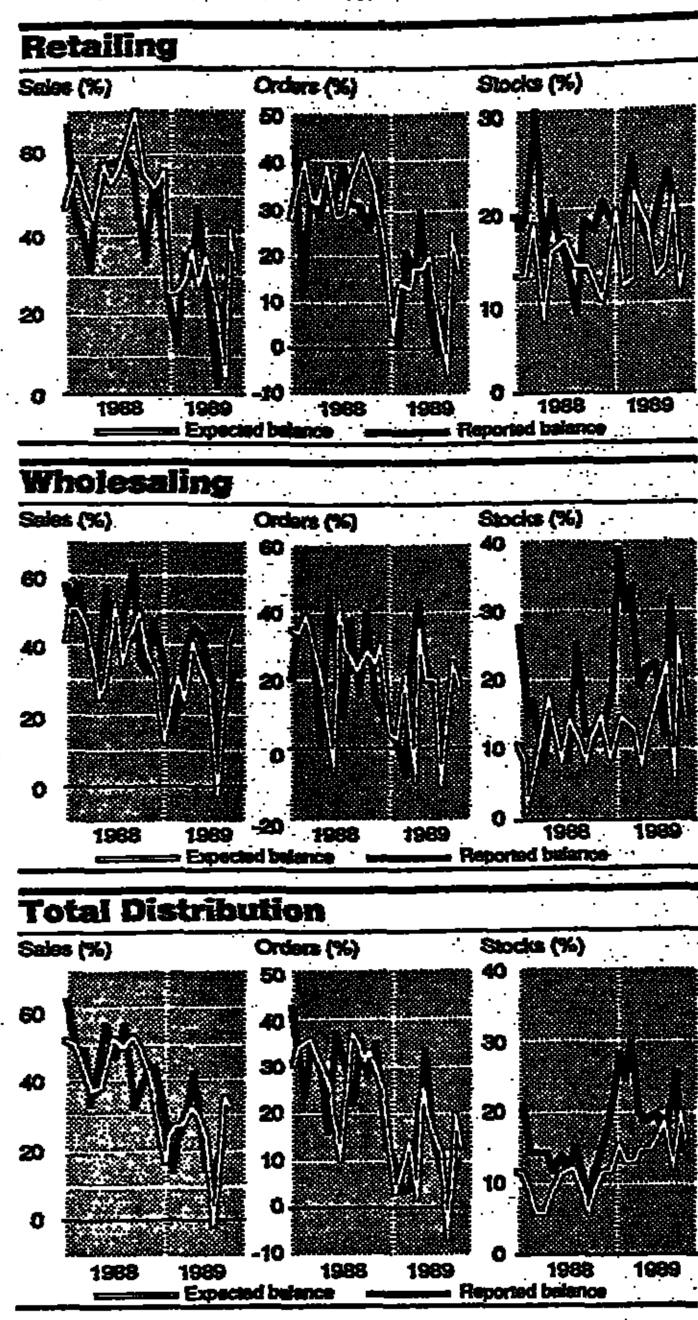
Wholesalers' sales volumes grew at a quicker pace in September but not by as much as had been expected in the previous CBI/FT survey. Of the 150 companies polled, 52 per cent said sales were higher last month compared with 22 per cent reporting a drop in sales. The 30 per cent positive balance compared with 11 per cent in August.

For October, 45 per cent of companies expect an increase in sales against 41 per cent in the last survey predicting increased sales in September.

A balance of 7 per cent of companies said sales were good for the time of year. However, among the individual sectors, dealers in industrial materials, builders' materials, durable household goods, farm machinery and clothing, textiles and footwear reported lower sales than in September 1988.

Stocks were run down in relation to expected sales last month, with a balance of 15 per cent of companies reporting excessive stocks compared with 32 per cent in August.

● The Central Statistical Office announced on Friday that the the retail prices index (1987=100) was 116.6 in September, compared with 115.8 in August. The tax and price index (1987=100) was 112.2 last month, compared with 111.4 in August.



Complaint on fuel claim

A COMPLAINT has been made to the Advertising Standards Authority that British Gas advertisements saying gas is the Earth's cleanest fuel are misleading the public, writes John Hunt.

The complaint, from the Association for the Conservation of Energy, said that the advertisement failed to mention that leakage of natural gas released methane into the atmosphere. Methane contributes to the greenhouse effect that causes global warming.

British Gas said that it had an extensive programme to reduce potential leaks by replacing mains and fitting leakage control equipment.

UDR 'must be accountable'

By Kieran Cooke in Dublin

MR Charles Haughey, the Irish Prime Minister, has said that the Ulster Defence Regiment, the locally recruited force that looks after more than 80 per cent of army duties in Northern Ireland, must be made fully accountable for its actions.

In his strongest statement yet on the role of the UDR, Mr Haughey said that in a divided society such as Northern Ireland it was crucially important that the public should be confident of the UDR's fairness and impartiality.

He said: "Confidence cannot prevail if there is a perception that individual members of the security forces are colluding with sectarian assassins."

Mr Haughey's comments come after a series of security leaks in Northern Ireland and allegations made by nationalist politicians that members of the UDR have been giving security documents of nationalist terror suspects to loyalist paramilitaries.

The UDR was the main subject at the recent contentious meeting of the Anglo-Irish Conference.

Another meeting of the conference is due to take place on Wednesday in Belfast and it is felt that Mr Haughey is clearly signalling that the Irish Government means to press for what it sees as much needed reforms within the UDR, such as a more comprehensive vetting system for regiment recruits and a closer monitoring of sensitive security documents.

Mr Haughey said that there should be a comprehensive review of "the basis as well as the role of the UDR," which was drawn almost exclusively from the Protestant side of the community in Northern Ireland.

The Irish Prime Minister was speaking at the annual commemoration ceremony for Wolfe Tone, one of the great 18th-century heroes for the struggle of Irish nationhood and himself a Protestant.

Censorship in Ulster has 'eroded freedom'

By Raymond Snoddy

ARTICLE 19, the independent anti-censorship human rights organisation, today attacks the British and Irish governments for seriously eroding freedom in response to IRA terrorism.

The organisation, which takes its name from an article of the Universal Declaration of Human Rights, has sent letters to Mr Charles Haughey, the Irish Prime Minister and Mrs Thatcher, the UK Prime Minister, expressing its concern that "the cumulative effects of restrictions relating to Northern Ireland have seriously eroded freedom throughout Britain and Ireland."

The organisation argues that restrictions on freedom of expression and information relating to Northern Ireland are both counterproductive and in breach of both countries' international obligations.

In No Comment, a book by Article 19 director Frances de Souza, to be launched on Wednesday, the organisation says censorship in all its forms has impeded the process of turning Irish people away from violence to political debate.

● A planned Sinn Fein march through Belfast city centre yesterday, in protest at the broadcasting ban was curbed by the Royal Ulster Constabulary, writes our Belfast Correspondent.

Hundreds of people marched along the nationalist Falls Road. Speakers said there had been fewer requests for interviews with Sinn Fein.

Although organisers gave the seven days' notice required under public order laws, police banned them from a number of city centre roads and streets.

No Comment. Article 19, 90 Borough High Street, London SE1 1LL. £3.95.

Benefit changes 'creating more hardship for young'

By Alan Pike, Social Affairs Correspondent

SOME YOUNG people aged 16 or 17 are suffering intolerable poverty because the law no longer allows them to claim income support, a survey by the National Association of Citizens Advice Bureaux (NACAB) says today.

The issues of homelessness, vulnerability and breakdown in family relationships were not new and had not been created by the income support regulations, says the report.

Even so, the regulations had created a "very considerable increase not only in the number of young people in hardship, but also in the severity of that hardship." The changes and inadequate advice created a situation that NACAB considered "intolerable in a society committed to the welfare of all its citizens."

Young people under 18 lost their right to income support last year, reflecting the Government's view that they should take Youth Training Scheme places rather than claim benefits.

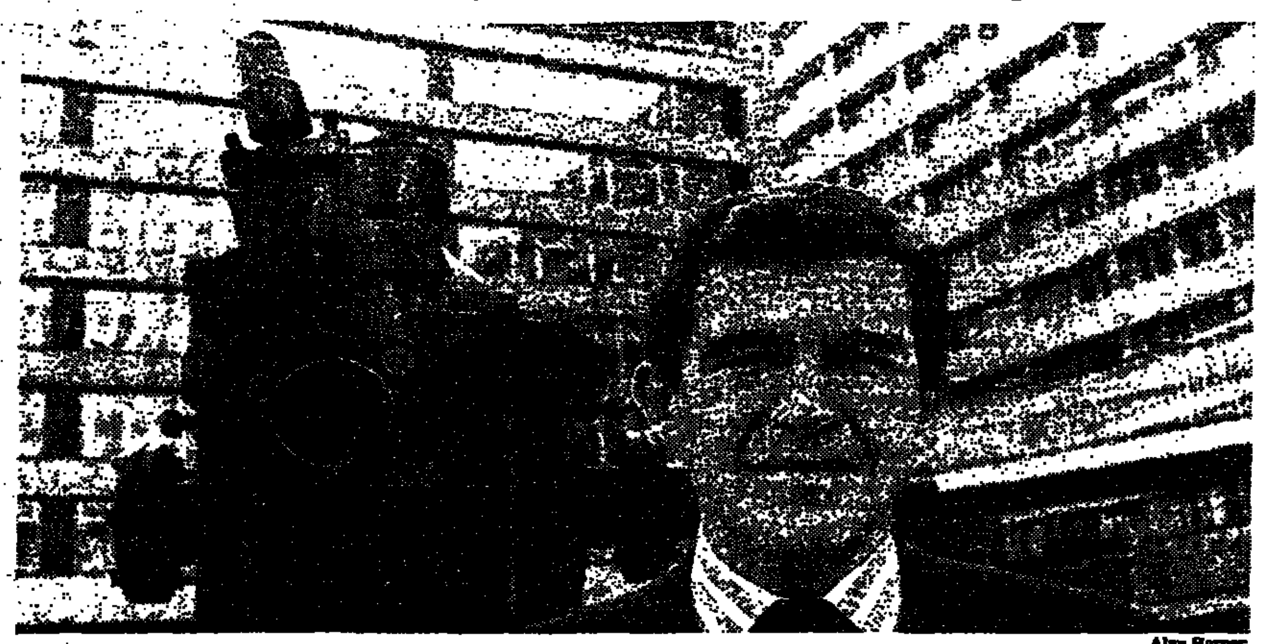
NACAB proposes that once a young person has registered for YTS, a £15-a-week bridging allowance — currently paid for eight weeks — should continue until their placement begins.

MANAGEMENT

BP Exploration

Why simplification has become a complex task

Steven Butler reports on the oil company's efforts to create a slimmer profile in order to enhance both its performance and its risk-taking capability



John Browne: trying to change a management culture Alan Harper

Managers of BP Exploration, the oil exploration and production arm of British Petroleum, have been meeting in small groups around the world in recent weeks, drawing boxes and putting lines between them, in an exercise to come up with a new company-wide organisation chart. This, however, is not an academic exercise because when it is all finished 1,700 BP staff members, 17 per cent of the work force, will lose their jobs, including, at least in theory, some of the men engineering the changes.

When John Browne, managing director and chief executive officer of BP Exploration (BPX), announced in mid-September that jobs would be slashed as part of a company-wide restructuring plan, it had all the appearance of a done deal.

Yet what Browne had done was merely to get the programme through the board, after a good deal of internal debate and resistance. The board fixed a strategy, the target for job losses in various parts of the business, and a rough plan for a new organisation table.

Only now is BP going through the painful process of figuring out what this means to its 10,500 employees. BPX managers throughout the world have been meeting to discuss how to enact the plan, which is aimed at simplifying the way the company works and improving performance, while embracing a high risk oil exploration strategy. Other planks in the strategy include: shedding low-return assets, stepping up development of gas reserves near to markets, and spending a bigger budget on a more tightly focused research and development programme.

But the core of the programme is to revamp the organisation. Revised local organisation charts, with implied job losses, are being scribbled out and forwarded to the head office for approval, with many sent back for more retooling, for deeper cuts and greater simplicity. Only at the end of this process, planned for the end of November, will BP actually decide who is to go, and who is to stay and what they will be doing.

BP executives say that the process of reshaping the company is in many ways just as important as the size and structure of the final product. This is because Mr Browne is trying to change the BP management culture, not just make a smaller company, and he wants to use the upheaval to draw BP employees into a new way of thinking and working - to make them participate in changing the company in order to heighten their commitment to working the new system after the changes.

"You can only get people to accept it if they do it themselves. They've actually got to buy into it. They've got to believe it is right," says Peter Hill, the former UK exploration manager who was recently appointed chief of staff at the central office in London. Hill's current job makes him a general manager of human resources, giving him oversight responsibilities on the current restructuring, as well as a charge of looking at some of the longer-term implications of the programme.

BP's drastic restructuring and downsizing programme is widely seen as necessary by its competitors. One independent oil company that is a partner of BP overseas figured, only half in jest, that BP was eight times overstaffed. Every time the two met to discuss the project BP sent eight times as many people.

The goal of the restructuring is to simplify: to chop out layers of redundant management, and all the support services they require, to define a sharper focus for business units, and to devolve responsibility further down the chain of command so that people in charge of operations have the authority as well as the responsibility for taking risks, within broad guidelines fixed at headquarters. The headquarters will be reduced in size and will provide strategic direction, but will exercise less direct command. On announcing the restructuring, Browne agreed that this was decentralisation. However, it is evidently more than a simple devolution of authority because the restructuring also aims at enforcing more coherence of purpose, albeit in a less bureaucratic way, leaving more of the details to the men on the ground.

"It only takes one person to say no, but it takes everyone to say yes," says Hill, speaking about the cumbersome old system.

As an example, Hill counts eight levels of management from the manager of an offshore installation in the North Sea to the BPX managing director, all of whom often were required to endorse important decisions, such as installing new equipment that would require outside contracting.

These levels are: the offshore manager, the operations manager onshore, field manager onshore, assistant general manager, general manager, general manager northern operations, chief operating officer, chief executive officer (Britoil), and Browne and his management committee.

This, according to Hill, encouraged the typical bureaucratic response: avoidance of risk taking and responsibility, inflexibility, and a proliferation of rules and procedures which delayed decision making. Hill, and others in and outside of BP, say the company is stuffed with talent.

"We should be making a heck of a lot more money," says Hill.

The need to simplify the organisation also dovetailed with the move toward higher risk exploration. BP has decided it needs to look for bigger oil reservoirs that can probably only be found in relatively unexplored basins.

Looking for oil in these sorts of places takes creativity - the ability to figure out how to use a general knowledge of geology and finding oil in a new situation where the old rules do not quite apply. No two oil basins are precisely the same. Yet creative minds do not work well when heavily shackled in layers of bureaucracy.

In the case of the North Sea platform, the aim is to chop the levels roughly in half. The difficulty, of course, is that the layers of management were not inserted by idiots, but by intelligent men trying to control the behaviour of a big organisation performing complex tasks. Those boxes on the chart stood for organisations that were not only performing control functions, but were co-ordinating operations that, from the first shooting of seismic surveys to the delivery of oil for sale, are among the most logistically complex and technologically intensive in industry.

By getting rid of them, BP is losing intelligent eyes and ears that enabled the headquarters to monitor and control operations. This is a delicate job where there is a danger of going too far and getting it wrong. This is one reason why BP has chosen to involve local managers in reshaping their own work relationships. Only they will know for sure whether, at least technically, the reshuffling of organisational boxes have any hope of resulting in a workable arrangement.

But as important as this was the desire to involve the whole staff in the process of shaping the future, and it is here that restructuring and restabilising the organisation is only the first step. If there are to be fewer bureaucratic controls on decisions-making, more flexibility, and more creativity, managers will have to be willing to be more personally accountable and be motivated to be so.

"We don't reward people," says Hill, speaking of the current system. "We rely on people's self-motivation. You get paid a good salary whether it is wet, wind, or shine."

BP Exploration has no system of performance-related pay, but this is looking like a terrible anachronism if employees are being asked to take more responsibility for putting the company's funds at risk in what is a high risk business. Hill is looking at how the central office would go about setting performance targets for business units and relate these to pay.

Another problem that Hill has identified is the lack of integrated training programmes.

"They haven't trained me for this. I've fallen into it," he says, speaking of his own promotion from managing a technical operation to a key post in the head office. His qualifications appear to be a lively mind, an insider's knowledge of how the organisation worked and strong opinions. (He says he's being given the chance to act on all the complaints he used to make about working at BP.)

Although specialised training has been available for BPX employees, the company has never tried to base a training system on the relationships between career development, training, and the needs of the organisation.

Hill also wants to rethink the paths of career development, to make it possible for personnel on the technical side to go right to the top of the ladder without switching into a business management portfolio, allowing them to stick with what they do best.

BPX looked at other options for trying to improve the performance of the company. These ranged from not touching the size and structure of the company and just trying to do better, to reshuffling the organisation and making better use of staff. Indeed, some BPX employees were drawn instinctively to this latter option on the grounds that becoming a smaller company was an admission of defeat.

In the end, however, Browne convinced his colleagues to adopt the root and branch approach.

The bigger the firm the higher the price

How much does it cost to call in the management consultants? Anything from £200 to £2,000 a day, according to a survey by the Management Consultancy Information Service.

Fees vary according to the size of the consultancy, the area of the UK in which it operates, and the seniority of the consultant who does the work.

The MCIS says that the median daily fee rate is £600, compared to £425 two years ago.

The survey of 110 consultancies found that the major factor determining fee rates was the size of the consultancy. The average daily fee rate of the sole practitioners surveyed was £425. Practices employing between two and 20 consultants charged an average of £550. Practices with between 21 and 50 consultants charged £675. Large practices with more than 50 consultants charged an average daily fee of £825.

Fees in London were about 50 per cent higher than elsewhere in the country, with an average daily rate of £750. Elsewhere in the south east, the average fee was £500 a day. The cheapest area of the country was the Midlands, with an average daily rate of £425.

The highest paid consulting sector was human resources, where the average daily rate was £700. Information technology consulting commanded an average rate of £625. The daily rate for production management was £450.

Fees varied widely according to the seniority of the consultant used. The average daily rate for a junior consultant was £300. The average fee for a principal consultant was £750, while the rate for a director or partner was £1,000 a day.

The survey found that 27 per cent of consultants charged by the day, while 37 per cent charged for the whole project. The remainder used either measure or a mixture of both, depending on the project. Nearly two-thirds of consultants billed their clients monthly.

Available from MCIS, 38 Blenheim Avenue, Gants Hill, Ilford, Essex IG2 6JQ. £10.

Michael Skapinker

Business courses

Principles of Effective Management, Bromley. October 29-November 3. Fee: £1250 + VAT. Details from Client Services, Sundridge Management Centre, Plaistow Lane, Bromley, Kent, BR1 3TP. Tel: 01-460 8585. Fax: 01-466 1578.

Company Secretary's Review 12th Annual Updating Conference, London. November 16. Fee: £215 + VAT. Details from Tolley Conferences, Tolley House, 2 Addison Road, Croydon, Surrey CR9 5AF. Tel: 01-680 5682. Fax: 01-686 9141.

World Financial Markets at the Crossroads, 1990-2000, London. November 16. Details from The Economist Conference Unit, 25 St James's Street, London SW1A 1HG. Tel: 01-839 7000. Fax: 01-839 7000.

Is Marketing Keeping Up with the Consumer? Lessons from Changing Product Attitudes and Behaviour, Vienna. November 6-8. Details from ESOMAR Central Secretariat, JJ Viottastraat 29, 1071 JP Amsterdam, The Netherlands. Tel: + 31 20 664.2141. Fax: +31 20 664.2922.

Using Personal Computers For Project Management, London. November 21-22. Fee: £290 + VAT. Details from The Infomatics Resource Centre, The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546. Fax: 01-871 3866.

Quality - Meeting the 1992 Challenge, London. November 23-24. Fee: £290 + VAT. Details from The Conference Office, The Institute of Quality Assurance, 10 Grosvenor Gardens, London SW1W ODQ. Tel: 01-730 7154.

Export Market Techniques, London. November 27. Fee: £149.50. Details from The Institute of Export, Freepost, 64 Clifton Street, London EC2B 2DU. Tel: 01-247 9812. Fax: 01-377 5443.

Today's Woman Manager, Swindon. November 1. Fee: £80. Details from Padgett Thompson, P O Box 109, Penn, High Wycombe, Bucks, HP10 8NP. Tel: 0494-816682.

LEGAL COLUMN

English and expertise are ICI's counsel criteria

By Robert Rice, Legal Correspondent

ICI'S GROUP legal service may well be unique in not having a firm of solicitors in England and Wales that could claim it as a regular client, according to Mr Barry O'Meara, deputy group solicitor with the company.

So it was slightly ironic, he said, that he had been chosen to speak on "what the corporate law department seeks in outside counsel" to the International Bar Association conference in Strasbourg recently.

Most of ICI's legal work in the UK is carried out within the company by more than 60 plus lawyers employed in the UK by the company either in the headquarters group legal department or in the various legal departments of its international business units. European Community law is considered by the company as being in the same category as advising on English law.

ICI employs 80 other lawyers elsewhere in the group. However, 140 is not a great number for a company the size of ICI. The company, therefore, inevitably has to rely to a large extent on external lawyers in every country in which it is represented outside England and Wales.

So what do they look for? First, they must be fluent in English – a sad commentary on the linguistic skills of ICI's senior management, as Mr O'Meara admitted.

Second, external lawyers must have the professional standing and expertise to justify their being chosen to advise a company like ICI. It was pointless instructing a lawyer whose principle expertise was, say, in family law, simply because the local manager played golf with him. Apparently such things really have happened in the past.

The third criterion is that ICI's external lawyers have to have the ability to advise on all aspects of the transaction. The company will also only instruct nationals of the countries in which it does business to advise on the laws of those countries. Apart from these factors, ICI looks for much the same attributes in its outside counsel as it seeks in the lawyers on its payroll: an ability to listen, to isolate the key issues, and then express advice in clear and precise terms while not appearing to "talk down" to the client.

A bonus would be to find a lawyer who understood business and so could tailor his advice to the wider requirements of a transaction. Although ICI

For most companies, the bottom line is a key factor in business decisions

does not ask its external lawyers to be businessmen, it welcomes participative advice.

For most companies, the bottom line is a key factor in making any business decision. However, the amount of legal fees incurred in a transaction would be far outweighed by the financial damage that would ensue if that decision was based on faulty legal advice, he said.

ICI's philosophy was therefore to "hire the best and pay what it takes." If, however, the advice for which the company had paid was found to be faulty, or if the lawyer concerned had simply not done the job, then retribution was swift and terrible.

The lawyer would be struck from the company's list and that fact made known within the circle of company lawyer contacts in other businesses.

* * * * *

WHO would you say earns more: the corporate lawyer or the trial lawyer? Most people in the UK would probably guess that the company and commercial lawyer in a big City law firm earns more than the average litigator. And they would be correct. In the US, however, the reverse is true.

According to Forbes magazine, you can forget the Wall Street shuffle; it is the plaintiff's attorneys, who specialise in suing, who are "the real champions of the great American greed game."

If asked to guess what the highest-paid UK lawyer earned last year you wouldn't be far off if you said £1m. Guessing what the highest-paid attorney in the US earned in 1988 is not as easy – indeed, coming within \$100m (£63.3m) would be a feat.

According to Forbes, the top moneymaker in 1988 made, on a conservative estimate, \$450m, and possibly as much as \$600m. He was Mr Joseph Jamail of Houston, Texas, who made most of his money from the estimated \$420m fees he received for persuading the Texas courts to accept the theory that Pennzoil had a binding contract to buy Getty Oil, even though there was nothing written down on paper. His victim, Texaco, the third-largest oil company in the US, was forced into bankruptcy.

On top of that, Forbes estimates that Mr Jamail's personal-injury practice won over \$100m in judgments and settlements last year, of which the firm reaped about a third. "I never wash windows," he is quoted as saying, "nor do I work by the hour."

The Pennzoil judgment was obviously a once-in-a-lifetime payoff, distorting out of all proportion Mr Jamail's earnings for 1988. But even in 1987, Forbes estimates that he was the top earning lawyer, bringing in more than \$25m.

For the last two years, the next-biggest earner after him has been Mr Herbert Hafif from Claremont, California. He is estimated to have earned \$40m in 1988. Mr Hafif made the headlines with a \$540m judgment against

Perhaps there is something in these contingency fees after all . . .

ComputerLand in a 1988 tort case he brought on behalf of MicroVest. That judgment gave him 5 per cent of ComputerLand's stock, worth \$25m. He now acts as ComputerLand's attorney.

In fact, all the 15 top-earning US attorneys in 1988 are trial lawyers, earning \$6m or more. Perhaps there is something in these contingency fees after all.

The highest-paid corporate lawyer was Mr Joseph Flom of New York's Skadden, Arps, Slate, Meagher & Flom. According to Forbes, he had an income of about \$5m in 1988. Mr Flom, as most UK corporate lawyers will know, made his money and reputation from mergers and acquisitions work, his firm having appeared in virtually every large US merger transaction in the last 10 years. Nevertheless, M & A accounts for only 25 per cent of the firm's income.

After Mr Flom in the top ten corporate earners comes a list of familiar names, including, at number five, Mr Martin Lipton of New York's Wachtell, Lipton, Rosen & Katz (\$3m) and at number ten, Mr Samuel Butler of Cravath, Swaine & Moore (\$2.4m).

Curiously, three of the top ten corporate law earners are all partners of the same Los Angeles firm of Ziffren, Brittenham & Branca. The firm is arguably the West Coast's most powerful entertainment law practice. It has only 13 lawyers and has made its money by charging movie and television clients a percentage (5 per cent) of their gross revenues, rather than billing them according to hourly fees.

Mr Harry "Skip" Brittenham, at number three (\$3m), counts Harrison Ford, Don "Miami Vice" Johnson, Melanie Griffith, John Candy, Tom Selleck and Richard Pryor among his clients.

Mr Kenneth Ziffren, in sixth place (\$3m), makes his money representing Hollywood's director-writer-producers, while the glamorous former rock musician, Mr John Branca, at number eight (\$2.5m), has clients who, as Forbes puts it, "are to die for." They include Michael Jackson, the Rolling Stones, the Beach Boys, the estate of Elvis Presley, The Doors and George Harrison, to name a few.

LEGAL APPOINTMENTS

ARTS

ARCHITECTURE

Drawn into the garden

It is something of a relief to retreat temporarily into the untroubled shade of an English garden to avoid the crossfire of currently raging architectural arguments. The publication of Jane Brown's new book, *The Art and Architecture of English Gardens* (Weidenfeld and Nicolson, £40) gives the perfect opportunity for some peaceful reflection on quiet English achievements.

There has long been a need for a source book of the history of garden design and, although the selection in this book is confined to the collection of the Royal Institute of British Architects, that limitation does not prevent it from being a useful visual survey. It is also stimulating because Jane Brown writes in a spirited way, sharing with the reader her love of the subject.

Garden history is a comparatively new discipline, and has flourished with the encouragement of the Garden History Society. Its growth is rather like the growth of the study and enthusiasm for Victorian architecture during the 1960s. Garden history today has penetrated the citadel of English Heritage, where scholarly research forms the condition of any major grant application. *The history of garden design* and planting cannot be separated from the realities of running large gardens or estates. The National Trust may not be at its strongest on research and accurate restoration, but it does understand the problems *of maintenance and large numbers* of visitors. Organisations like the National Trust and English Heritage should be the ones to set the pace for both scholarship, education and appropriate restoration.

The drawings from the RIBA in this book (and some of them are to be shown in an exhibition at the Heinz Gallery from early November) provide a good skeleton upon which to hang the developing flesh garden history. They start with the work of Robert Smythson (1535–1614), best known for his fantastic houses like Wollaton Hall in Nottinghamshire. These survey drawings show a great interest in geometry and provide a two dimensional prelude to the great exercises in Baroque perspective that were to come.

It was Johannes Kip who brought the birds'-eye view to England and his elaborate survey views give us much planting and planning information. Kip must have influenced designers and certainly the owners of country houses who could measure the design of their acres against their neighbours. It is interesting to learn that William Kent was always the artist. He did not use a plan for the gardens he made. "Capability" Brown, on the other hand, worked with the owners of estates, drawing up his "meanders" in a casual almost freehand style.

But it is landscape designer

'Throughout this book the thought is prompted of the transience of gardens'

Humphry Repton (1752-1818) who really understood the importance of drawings. His Red Books for each property survive and the one for Langley Park in Kent is illustrated in this book. What a brilliant device he invented, "the before *and after" flap over drawing* that shows how a landscape view can be improved. Repton's proposals for a view to the south of Sezincote House in Gloucestershire are both enchanting and practical: pigstyes, ugly farm buildings and *lines of washing disappear to* be replaced by an idyllic pastoral landscape with castellated farms. His drawings reveal a lightness of touch and a delicacy that is remarkable and he created an understated informality that is very English.

It is tempting, after being seduced by the skills of Repton, to see the Victorian garden designers as representing a decline. There is something pompous and heavy about Sir Charles Barry's great staircase at Shrublands – the elaborate Italian garden in Suffolk which matched his Italianisation of an 18th-century house. I was intrigued to see for the first time the proposals for a formal garden at *the front of* Buckingham Palace designed in the 1840's by William Nesfield. This plan would have taken up large slices of Green Park and St.James's and large fountain ponds would have flanked the marble arch.

There was a lack of enthusiasm for the elaborately formal 19th-century garden by none other than William Robinson, the great gardener and writer. He was not impressed by the *efforts of Joseph Paxton* at the Crystal Palace, which is shown in the book by a large watercolour by J.D.Harding. Robinson wrote at the time: "There have been a great many ugly gardens in Europe, but at Sydenham we have the great*est modern example of the* waste of enormous means in making hideous a fine piece of ground."

Robinson would have enjoyed the efforts of the great Arts and Crafts gardeners and architects. They flowered in the period 1890–1925 and produced some of the finest English gardens. Jane Brown *points out that this was almost* the last period when architects were really involved with the garden design. How telling is the comparison between Oliver Hill's water garden at Moor Close, Binfield and his almost abstract rendering of Joldwyns *in Surrey in 1932*. The elaborate beauty of the water garden and the complicated steps *rising up to the tall romantic* chimneyed house contrast with the clumped trees around the streamlined emptiness of the 1930s modern house.

The 20th-century is patchily represented by drawings; Geoffrey Jellicoe gets the lion's *share. His studies* made with John Shepherd of the gardens of the great villas were indeed influential, but it his own work that brings the history of landscape into the present. The Moody Gardens on the Gulf of Mexico are designed by Jellicoe to give the visitor an experience of the history of man made landscapes. All his drawings for this extraordinary garden are here, and it is a unique opportunity to see the work of the greatest 20th-century landscape designer.

Throughout this book the thought is prompted of the transience of gardens. They turn to dust in a moment if they are not cared for – in *many cases these drawings are* their only memorial.

Colin Amery

Death in Venice

GLYNDEBOURNE

Glyndebourne, first home to *The Rape of Lucretia* and *Albert Herring* gave on Saturday a resounding welcome to the last of Britten's operas. *Death in Venice* was composed for and first performed at the Snape Maltings, but one may wonder whether the score has ever sounded fuller, richer in colour and content, more beautiful, there or anywhere else, than it did in Glyndebourne Touring Opera's new production (sponsored by Hays plc and the Britten Estate).

There are indeed many remarkable features about the performance, in particular a triumphant assumption of the opera's leading role by Robert Tear; but the dominant impression was of musical mastery almost from first note to last (*the small qualification needed only* because once again doubts arose about the length of the beach-games episode in Act I). The pacing and texturing of a music-drama which in larger theatres can seem at some times too even-tempered and at others too "thin" was here effortlessly right and enthralling; the narrative unfolding proceeded with sovereign ease.

Graeme Jenkins and the London Sin*fonietta drew from the score a glittering* sound-tapestry. The constant threading through the action of graphic place-and-time images, and the constant discovery of new ways of capturing light, air, and water in music, make this an opera of extraordinary physical vitality, and the performers (including the magnificent Glyndebourne Chorus) seemed to respond with delight.

Death in Venice with its interpenetration of backward glances right across the length of the Britten canon, has been called "perhaps ... too much a self-conscious summing-up of a life's work". I can only report that at Glyndebourne Britten's last opera gave instead the feeling of consummate naturalness – and, more important, of being a boldly forward-looking creation, opening out as many new avenues of artistic possibility as it answers old questions. The lack of mawkishness in the performance is blessedly welcome.

Mr Tear, one of our most authoritative Britten tenors, comes to the role of Aschenbach at the perfect stage in his career: with artistic maturity in full flower but with vocal powers entirely undiminished. The slight self-consciousness of enunciation, phrasing, and *tone-shading that one recalls from some* of his many "character" assignments is rubbed away; the part is layered with fine physical detail, which is then peeled down with enormous courage and power – and, above all, passionate vigour, vocal and emotional. He does not shirk (as, in my view, Peter Pears *did*) the full implications of a voyage into sensual self-discovery which brings with it both life and death. The essential honesty of Mr Tear's approach supplies the production with its special qualities of energy and boldness.

Stephen Lawless quite properly makes this tremendous performance the centre of his staging. Tobias Hoheisel's set, opening up via sliding black panels to be revealed as a central stage box *with moveable apertures, works as* a labyrinth in which new passages are uncovered and others suddenly closed: Aschenbach is its explorer and, finally, its object of exploration. The construction (superbly lit by Paul Pyant) offers a whole host of fertile, perceptive visual metaphors, but it never quite opens up to "show all" as the opera's subject and psychological pattern would seem to require.

The available space for Martha Clarke's choreography (which steers clear of Ashton-like formal set-pieces) is at times pinched; the figure of the Mother goes for less than it should, and even Tadzio, clothed in the same sailor-suit white-and-blue as his companions, is sometimes briefly lost to view – Paul Zeplichal is boyishly attractive but not

Robert Tear (right) and Paul Zeplichal

of such startling beauty as to compel the eye wherever he goes. The crowding of the stage during the strolling players' grotesqueries needs attention.

Against this, one sets the wonderful fluidity of Mr Lawless's movement from scene to scene. His production is filled with sharp, distinctive touches (surreal luminous gondola-poles, doors that open and close to mark crucial moments of self-knowledge, a Murano-glass chandelier) *conjuring up* Venice without ever crudely specifying it.

The decision to bring the offstage Apollo on-stage, an equivocal figure in gold body-paint and cream suit, is justified (and Michael Chance's singing is incomparably fine). Smaller roles are *exactly touched in – Gerald Finley* (English Clerk), Christopher Ventris (Hotel Porter), and Jonathan Veira (Hotel Waiter) make particularly incisive and well-sung contributions. With all the small criticisms already mentioned I thought this a landmark in Glyndebourne Touring Opera annals. It *opens a new chapter in the opera's per*formance history.

Max Loppert

Divertimento No.15

HIPPODROME, BIRMINGHAM

With the success of last season's staging of *Theme and Variations*, Sadler's Well's Royal Ballet was justified in feeling that more Balanchine, and more difficult Balanchine, was in order. Thus one of Balanchine's most serenely brilliant pieces, *Divertimento No.15*, has now been acquired. The dialogue between the choreographer and his Mozart score is uniquely felicitous, dance everywhere matching form and melody.

The movement sings, the colloquies between the dancers and their steps resulting in enchanting portraits of heroines and their cavaliers, as true as any in *Così* or *Figaro*.

We have lately had a chance to see New York City Ballet gloriously on form in this work. I cannot say that the performance I attended on Saturday afternoon in Birmingham was as apt or bright as NYCB's (and I note that it was given by the second cast), but the first step has been made on the right path.

The dancers are learning to reject those English vices of charm and milky grace – always a refuge when the going gets tough – and to seek *ways of rejoicing in the absolute* clarity and definition of Balanchine's inventions.

I thought Karen Donovan came to the ballerina's brilliant with suitably bright and speedy feet, and I enjoyed Mireille Bourgeois' delight in her solo. Peter Farmer has provided discreet costumes: SWRB's artists have a masterpiece here for their – and our – delectation.

The afternoon also brought an exceptional account of Ashton's *The Dream*. After 25 years the critical eye is more likely to be saddened by the depredations wrought by performers' insensitivity, than gladdened by freshness of interpretation. But SWRB's cast offered sincerity, sensitivity, and a welcome feeling for Ashtonian elegance of means. Michael O'Hare was a dramatically incisive Oberon, Sandra Madgwick a sparkling Titania (missing only the last touch of femininity that Antoinette Sib*ley brought to the closing* duet).

An excellent quartet of lovers came from Chenca Williams (adorable in her bewilderment) and Samira Saidi, Mark Welford and Stephen Wicks (Basil Fawlty as a Hussar). Tony Fabre, a new recruit from the Bejart troupe, was a dazzling Puck. *The Dream* has not looked so delightful and so evergreen a joy for years.

Birmingham has much to anticipate from its own Royal Ballet, and has already provided an excellent home for it in the Hippodrome. But how lowering to the spirits the underpasses and rat-mazes that lead to the theatre!

Clement Crisp

Joe Jackson

HAMMERSMITH ODEON

Joe Jackson performed his new album, "Blaze of Glory" in its entirety to an eager, expectant audience at the Hammersmith Odeon on Friday night.

It was a brave step, but Jackson has never been one to play safe in what has been an extraordinarily varied ten-year career. In the late 1970s he was at the forefront of British "new wave", crossing the spitting energy of punk with the sharply observed quirkiness of British pop.

Since then he has moved from angry pop to reggae to jazz to film themes to orchestral instrumentals and back, all the time adding his own peculiar, loose-limbed wit and style to form a consistently entertaining, and enlightening body of work.

This variety was there for all to see at the Hammersmith Odeon, Jackson topping and tailing the show with a handsome selection of his best songs.

"Is She Really Going Out With Him?", and "Different for Girls", probably his best known singles, were rearranged to bring out the sly, subtle humour overlooked when they first appeared at the end of the 1970s. Near the end Jackson dusted off a swinging medley of "Jumpin' Jive" numbers, before closing with the frenetic power pop of "I'm the Man" and the cool balladry of "A Slow Slong".

Good as this selection was, the *real meat of the sandwich* was "Blaze of Glory". Although Jackson was quick to deny the existence of a "concept" behind the album, a clear chronological order could be identified and a jazzy, Tin Pan Alley sophistication underpinned the shifting rhythms and strong melodies of each song.

"Tomorrow's World" dealt with the wide-eyed optimism of childhood, "Rant and Rave" with the foolish bravado of adolescence. "Evil Empire" was an adult attack on superpower politics, while "The Human Touch" was a world-weary love song of simple elegance.

Throughout the long set Jackson led his excellent ten-piece band with an easy confidence, singing with a power and range than he has rarely displayed in the past.

His impossibly gangly frame was fitted in a baggy purple suit, he drank hot tea from a thermos flask between songs and he wore unbelievably unfashionable sandals and socks.

This remains part of his enduring appeal. A singer and songwriter who has never bowed to the changing demands of fashion, Joe Jackson continues to plot his own entertaining course through the shifting seas of pop.

Patrick Harverson

Macbeth

CITIZENS THEATRE, GLASGOW

Jon Pope's new production at the Citizens of the Scottish play, in spite of a Scots Banquo and Macduff, could hardly be less so. There is nothing particularly heretical in that, but Pope has brought a broad-brush imaginative relocation to bear that strikes hard at the play's centre while eschewing various niceties.

We are in a war zone presided over by a lounge-suited Hecate (Derwent Watson doubling as a one-eyed Duncan). The witches are three girl terrorists (no beards, not gorillas) in anoraks and holding walkie-talkies. The entire stage area is covered in silver paint and tin foil, the back wall and structural innards exposed as on a Richard Rodgers construction.

Across this post-nuclear tundra, where dry ice and an onstage wind machine are underpinned by the throbbing hum of Adrian Johnston's soundtrack, stagger the benighted warriors in gas masks, heavy duty protective clobber and luminous lemon fatigues. They hack at the grilles and steaming floor with pick axes, a cadre of Antarctic firemen in cold pursuit of King Sweno of the Norways.

Their world is a freezing boiler-room, and a battery of neon strip lights transports us to the women who wait, strange veiled North African creatures including an ambitious Reader of signs and portents swathed in veils and Madame Petrelengi bazaar beads.

This exciting visual re-vamp of the play has already been described as unnecessarily brutal and vandalistic. But it is no more so than is Kurosawa's *Throne of Blood*. It is an extremely fastidious and imaginative interpretative response, and quite different from the more familiar contrasting styles of resident directors Havergal and Prowse.

The Citizens have presented in the past one of the best spoken versions of the play I have heard, with Gerard Murphy and David Hayman as the Macbeths. Here, Simon Tyrrell rants rather as a street-fighting Macbeth, misses entirely the poetic lyricism but compensates as a haunted, headlong, short-haired murderer.

Banquo's corpse is laid out at the feast in a tin-foil shroud; Macbeth embraces it in a lung*ing (ham) roll, a witch dispas*sionately throws a bucket of blood over them. These attendant harpies (one coolly read by Andrea Hart substituting for a chicken-pox victim) are also the doctors, women, adversaries and invisible knife-bearers.

Alastair Galbraith is an imposing Macduff, James Duke a good Malcolm. Charon Bourke's powerful, Theda Barash Lady M is a creditable study in the disabusing of a fortune-teller. Between the *sleep-walk and the offstage cry* (here silent) she stays transfixed, horizontal, abandoned, a picture more of sadness than madness.

This sequence, like the banquet scene, is a model of controlled, innovative staging.

Michael Coveney

Buddy

VICTORIA PALACE

More than 30 years after *"the day the music died" the skinny* little figure in thick horn-rims exerts his magic on a packed house. Buddy Holly was killed in a plane crash in his early 20s after less than two years of success, but his influence lingers. (In Britain the immediate *result was Adam Faith, but we* won't hold that against him.) This biographical musical does much to explain the mystique. Anyone with the slightest sympathy for early rock should go, partly for nostalgia, partly for the songs, and partly to show *their children.*

Alan Janes' book is a peg to hang the music on, but like *Rob Bettinson's production it* evokes an era with affection and respect.

Andy Walmsley's mood-setting design consists of 1950s advertisements that fly or slide apart for the requisite record studio, radio station or living *room. The magnificent* background for the concert, replete with glitter balls, is echoed by the detail of Bill Butler's costumes, down to the backing girls' flounces and men's bow-ties. Musically, the show is scrupulously prepared – and live: *a fit frame* for the Philadelphian Paul Hipp, who captures that insidiously whining gentleness of Holly's gentler songs (and how innocent he seems now, a streak of wistfulness even in his bounciest numbers). In the middle of the full company's "Rave On" there is a sudden black-out; then a guitar on an empty stage and the radio announcement of Holly's death. "The rest will be just rock and roll." Ultimately, your reaction to this superbly presented show from the Theatre Royal, Plymouth, depends on how you take the music. I loved it.

Martin Hoyle

SALEROOM

Competing Picassos

A few years ago Picasso looked like a busted flush, his long term art historical reputation threatened by his personal longevity; his disconcerting artistic innovation; and the sexual threnody of his later work. All that has changed and he is currently the hottest artist around, with *two of his pictures* competing for the "most expensive work of art ever sold at auction" award.

At Sotheby's in New York on November 15 "Au Lapin Agile," an important Rose period Picasso, reflecting his *fascination at the age of 25* with Harlequins and the circus, is expected to make around \$50m, with a good chance that it might overhaul Van Gogh's "Irises," for which Mr Alan Bond paid \$53.9m in 1987.

On November 30 in Paris the dealer Jean Claude Binoche is offering "Les Noces de *Pierette," also painted* by Picasso around 1905, at the Drouot Montaigne saleroom. It carries an estimate of *300-400m* francs, which converts to up to \$60m. However this long lost work, with the first intimations of Cubism, is unfinished. *In addition* there is no guarantee that the French Government will allow it to leave France.

In part the very high estimate is designed to deter such an expenditure of Government cash, and the hope is *that its successful sale will* re-establish Paris as an important centre of the art market. However it *does make the estimate more* conjectural than usual.

The Sotheby's Picasso is on show *in Bond Street until* Tuesday evening along with two other important works by the artist, "The Mirror" of 1932, a languorous portrait of Marie-Thérèse Walter, very sensuous in its line (estimate up to \$25m) and "Mère et enfant," a *1921 maternity portrait painted* in the year his son Paulo was born (estimate up to \$15m).

Among other important paintings on display is a very fine Gauguin, "Entre les Lys," painted in Brittany in 1889, and estimated at up to \$9m. For over 40 years it has been in the Basle Musuem of Art. Unfortunately the family discovered that 98 per cent of its fortune was on loan to the museum so it is selling the Gauguin in the hope that the rest of the collection can stay on public show.

Antony Thorncroft

ARTS GUIDE October 13-19

MUSIC

London

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy, with *Cristina Ortiz (piano)*. Wagner and Richard Strauss. Royal Festival Hall (Tues) (928 8800).

Tokyo Philharmonic Orchestra conducted by Tadaaki Otaka, *with John Lill (piano)*. Rossini, Rachmaninov, Tchaikovsky. Barbican Hall (Wed) (638 8891).

London Mozart Players conducted by Jane Glover, with Imogen Cooper (piano). Mozart, Haydn, Beethoven. Royal Festival Hall (Wed) (928 8800).

City of Birmingham Touring Opera in the first London performance of *Ghanashyam*, a mixture of music, song and dance by Ravi Shankar. Director Graham Vick. Queen Elizabeth Hall (Thur) (928 8800).

Paris

Ensemble Orchestral de Paris conducted by Armin Jordan with the Vittoria d'Ile de France choir conducted by Michel Piquemal. Haydn's Creation (Tue). Salle Pleyel (45638873).

Orchestre de Paris conducted by Sian Edwards, Rafael Orozco, (piano). Tippett, Liszt, Janacek (Wed, Thur). Salle Pleyel (45630796).

Munich Philharmonic Orchestra conducted by Sergiu Celibidache. Bruckner (Wed, Thur). Bastille Opéra (40011616).

Brussels

Tokyo Philharmonic Orchestra conducted by Tadaaki Otaka, with Yuzuko Horigome (violin). Dvorak, Shostakovich and Yoshimatsu. Palis des Beaux- Arts (Tues).

Royal Flanders Philharmonic Orchestra conducted by Frank Shipway, with James O'Neal (tenor), Jard Van Nes (mezzo). Mahler's Das Lied von der Erde (Thur).

Amsterdam

Netherlands Philharmonic Orchestra with Dong-Suk Kang (violin), Ken-ichiro Kobayashi conducting. Saint-Saens, Berlioz (Sat, Mon). Concertgebouw (718 345).

Royal Concertgebouw Orchestra conducted by *Riccardo Chailly*, with Edda Moser (soprano) and the female voices of the Netherlands *Philharmonic Choir*. Debussy, Maderna, Heppener (Thur). Concertgebouw (718 345).

Academy of St Martin-in-the-Fields Octet with Emmy Verhey (violin). Schubert, Mendelssohn (Wed). *Beurs van Berlage*.

Utrecht

Shura Cherkassky (piano). Handel, Weber, Chopin, Berg, Tchaikovsky, Strauss (Wed). Vredenburg (31 45 44).

Rotterdam

Melos Quartet with Francois Guye. Schubert (Tue). Doelen (413 2490).

Amsterdam Baroque Orchestra with the choir of the Netherlands Bach Society and soloists, Tom Koopman conducting. Mozart (Thur). Doelen (413 2490).

Madrid

Rheinland Pfalz Philharmonic Orchestra and Stuttgart Philharmonic Choir conducted by Miltiades Caridis, with Elisabeth Richards (soprano), Erika Schmidt-Valentin (contralto), Volker Horn (tenor), Waldemar Wild (bass). Beethoven programme (Wed). Auditorio Nacionalde Musica (337 01 00).

Rome

Rodolfo Bonucci (violin) and *Bruno Canino (piano) playing* Petrassi, Brahms, Stravinsky and Ravel (Wed). Teatro Olim*pico (393304)*.

Milan

Pittsburg Symphony Orchestra conducted by Lorin Maazel. Tchaikovsky, Beethoven (Mon). Teatro Alla Scala (80.91.26).

New York

Carnegie Hall. Andras Schiff piano recital. Haydn, Janacek, Bartok, Schubert (Thur) (247 7800).

New York Philharmonic Orchestra conducted by Leonard Bernstein. Copland programme (Thur). Avery Fisher Hall (874 2424).

Washington

Cleveland Orchestra conducted by Christoph von Dohnanyi, with Ralph Kirshbaum (cello). Maxwell Davies, Weber, Tchaikovsky (Wed). Kennedy Center Concert Hall (467 4600).

National Symphony Orchestra conducted by Philip Brunelle with Garrison Keillor, guest artist bringing his Lake Wobegon programme (Thur). Kennedy Center Concert Hall (467 4600).

Heidsieck awards

The first RPS/Charles Heidsieck Awards, the classical music industry's answer to the Olivier drama awards, were announced yesterday. Among the prize winners were the LSO, judged the best large scale ensemble of the year; the Nash Ensemble, who won among the smaller groups; Simon Rattle as conductor; the Wigmore Hall Haydn Festival for concert series; Leontine Vaduva, the heroine of the Royal Opera's Manon, for best debut performance; Olivier Messiaen for best large scale composition; Simon Holt for best small scale composition; Glyndebourne, whose Jenufa was voted opera production of the year; and Philip Langridge as singer.

The Charles Heidsieck Awards for an outstanding contribution to Franco-British music went to Pierre Boulez and Moura Lympany.

FINANCIAL TIMES

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The lessons of experience

TWO YEARS AGO, the collapse in the world's stock markets was widely – and incorrectly – regarded as a hammer blow to the international economy. Whatever happens to share prices today, that judgement about the outlook for the US and the world seems unlikely to be repeated.

We now know from experience that monetary authorities can contain the deflationary damage of a stock market crisis. Last time round, indeed, the stimulative effects of lower interest rates easily outweighed the deflationary impact of the paper wealth wiped out in the crash. But the apparent response of the US Federal Reserve to last Friday's shock is perfectly correct: it stands ready to loosen the monetary reins as necessary.

One reason for this is that the US economy may now have a slight tilt towards recession. The slowdown seems set to be gentle, but the economic consequences of a steep decline would be serious. Corporate leverage has grown, and been extended to cyclical sectors such as the airlines and retailers whose difficulties helped to trigger the present upheaval.

The international economic cycle has now seen seven years of expansion. There is no law that says a recession must soon occur, but the older a cycle becomes the more vulnerable it is to financial shock.

It is true that the risks of stimulative action may be sharper than they were in 1987, mainly because inflation is higher around the world. On balance, however, the weight of argument points towards an easing of monetary policy, at least in the US. This is emphatically not because inflation is more desirable than recession, but for three other reasons.

Weaker tone

The stockmarket slide is both a symptom of, and a potential contributor to, a weaker tone in the US economy. The balance was tilting in favour of rather easier monetary conditions even before Friday: the potentially deflationary impact of a sharp setback in equities ought now to tip the balance.

Second, an easing by the US at present would coincide with a significant tightening of policy in the rest of the world. At least until Friday night, there was a tendency for the dollar to be too strong and the mark and yen to be too weak relative to a best guess of the underlying trends. From the UK perspective, an overall easing in world conditions would obviously be a good thing.

Finally, the problem with the policy response to the 1987 crash was not that it was too aggressive, but rather that it was sustained for too long. This time, the Fed should again act confidently and as boldly as market conditions require. But it must be vigilant about inflation, and ready to tighten the reins once any immediate crisis is past.

Such action could not guarantee the stock market against another steep decline. On this, the lessons of history point two ways. Price earnings ratios in the US and Europe are substantially lower than two years ago, but they are not particularly low by past standards. The outlook for profits growth is now much poorer than it was. If one looks forward to future profit levels, price earnings ratios may be much closer to where they stood before the crash.

Speculative excesses

Speculative excesses are different but – at least in the US – not necessarily less than they were. The general public has not been caught up this time in a frenzy of share buying. Instead it is the banks who may have been behaving imprudently, by their willingness to finance highly geared takeovers.

Interest rates in the US have been declining in recent months, whereas they were climbing ahead of the crash. But it is not apparent that the decline can be sustained, at least in the yields on long dated debt, given a more uncertain outlook for inflation.

All the same, there are good reasons to hope that the world is adjusting to a slower rate of growth without plunging into a full scale recession. This reasonably positive outlook for the world economy is not dependent on short term movements in the stock market, and is something which potential sellers will have to keep in mind.

A regime for Antarctica

SINCE 1961 the Antarctic Treaty has been held up as one of the few genuinely successful examples of international co-operation. The treaty has kept this vast continent demilitarised and free of super-power rivalry; broad agreement on conservation measures has protected more or less intact Antarctica's exceptional environment.

However, the fast-evolving international awareness of environmental issues has thrown a spotlight on Antarctica both because it is the last virgin continent and as a result of the scientific research pioneered there relating to the hole in the ozone layer. The treaty is due to expire in 1991 and this could throw open the whole question of whether or not the continent's potential resources, especially hydrocarbons, can be exploited. Although such exploitation is still a remote possibility, technological advances and improvements in communications have undermined the gentlemanly assumptions inherent in the original treaty.

The 39 parties to the treaty, who have traditionally conducted their affairs almost exclusively at a technical level, are showing signs of fundamental differences over their approach to the fate of Antarctica. These differences have come to the fore – though far too privately – at the 15th meeting of consultative parties to the treaty now taking place in Paris.

Odd assortment

The treaty countries are an odd assortment. The 12 original signatories were Argentina, Australia, Chile, Belgium, France, Japan, Norway, New Zealand, South Africa, the Soviet Union, the US and UK – reflecting a mix of interests from historic seafaring and colonial to geo-strategic. A further 10 countries have become consultative members on the grounds that they have demonstrated a direct scientific interest in Antarctica and 17 others have acceded to the treaty.

None of these countries dispute the need for an international regime to preserve Antarctica's special status. The argument is whether to freeze indefinitely – and probably for all time – any development of the continent's resources. Alternatively, resource development would be permitted under rigid safeguards and in the context of the 1988 Antarctic Minerals Convention, agreed after six years' laborious negotiation but not yet ratified.

The conservation argument, championed by Australia and France, appears to reflect domestic electoral considerations rather than environmental altruism. Their proposal is to convert Antarctica into a "Wilderness Park", which would ban mining and regulate man's activity, including tourism. This plan differs from that of Greenpeace, the environmental pressure group, only in the latter's concept of policing through a genuinely international organisation beyond the confines of the treaty parties.

Realistic approach

Britain and the US argue there could come a time when Antarctica's resources might be needed. They maintain it is far better to be prepared for such an eventuality. This is a more realistic approach, and the existing Minerals Convention could easily be strengthened, as Chile and New Zealand are suggesting. Already under the guise of science a good deal of research activity, not least by the Japanese, has been devoted to ascertaining the potential of hydrocarbon resources and other minerals. It is hard to see this stopping.

The prospect of gaining advantage, or preventing others from doing so, lies at the heart of the territorial claims staked by seven nations to Antarctica (Argentina, Australia, Chile, France, New Zealand, Norway and the UK). Although these claims are not internationally recognised and in several cases are overlapping, no country has indicated any willingness to abandon them. Forgoing such claims to a new regulatory body composed of the treaty states would be a useful departure in considering a properly regulated future for Antarctica. It would also help if the treaty countries recognised the public interest in their deliberations and were less secretive.

Peter Riddell on the mood of resigned cynicism surrounding the US budget

Cracks that can't be papered over

LATER today about $16bn will be cut across-the-board from US Federal Government spending as a result of the failure of Congress to pass legislation to reduce the Budget deficit to the statutory target.

In itself the sum is not large – around 1.5 per cent of overall Federal expenditure – and is likely to be reversed within a few weeks. But the imposition of these cuts, known as sequestration, symbolises the breakdown of the Bush administration's attempt to secure bipartisan agreement on the reduction of the Budget deficit.

The manoeuvring of recent weeks has resulted in a mood of resigned cynicism about the whole Budgetary process and has brought renewed calls for reform of the 1985 legislation for a series of annual targets to reduce the deficit – known after its senatorial authors as Gramm-Rudman-Hollings. It is now more usually called Gramm-Rudman since Senator Ernest Hollings has said he wants to be divorced from "the fraud that we have all perpetrated on the American people."

Mr Dan Rostenkowski, the chairman of the tax-writing House Ways and Means committee, has described this year's budget discussions as "mindless" and an abdication of responsibility by the President and Congress. Instead, he believes that sequestration cuts under Gramm-Rudman may be preferable and result in more real deficit reduction.

In short, the US Budgetary process is in a mess – not, of course, for the first time. Gramm-Rudman was devised to restore discipline as a result of a fiscal crisis in 1985, and further difficulties – together with the stock market crash of October 1987 – led to a short-lived sequestration and an adjustment of the targets two years ago.

By contrast, now, there are no immediate pressures from the financial markets, either on Wall Street or internationally. The budget situation played no apparent part in the slump in share prices late on Friday, though the latter could now add to the urgency of agreeing a budget. And furthermore there is no clamour from the American public to cut the deficit.

The current crisis is much more of relations between the Republican White House and the Democrat-controlled Congress. Both say they regard a reduction in the deficit as crucial to the US's long-term economic well-being – of ensuring that overall national savings are raised to finance investment, while not adding to the US's already large external indebtedness built up during the 1980s. Yet they lack the will to act, and the pressures to force them to do so.

Gramm Rudman Hollings is now more usually called Gramm-Rudman since Senator Ernest Hollings has said he wants to be divorced from the 'fraud that we have all perpetrated on the American people'

President George Bush took office at the beginning of this year talking the language of conciliation about a bipartisan approach – unlike his confrontational predecessor, Ronald Reagan. The snag was that last year Candidate Bush had blocked off a key option with his repeated "read my lips – no new taxes" pledge. And with previous deficit-cutting packages having removed some of the spending fat, any further action would involve tough choices – with the administration and Congress, either separately or together, taking responsibility.

The first result was a fudge. Mr Bush and Congressional leaders stood in the White House Rose Garden in mid-April to announce an agreement on the Budget for fiscal 1990, starting at the beginning of this month. It fulfilled the Gramm-Rudman target of reducing the deficit to below $100bn. But even its supporters described the deal as "unheroic" and everyone else regarded it as sham resting on over-optimistic economic assumptions and dubious expenditure savings. Dubbed a "slide-by" budget, it was intended to keep up the fiction of deficit reduction while deferring serious negotiations until towards the end of this year when sufficient time would have passed for "no new taxes" to be dropped.

The cracks have proved impossible to paper over, partly because Congressmen cannot resist adding tax breaks and new spending programmes for their constituents. These include sizeable reliefs on transfers of estates as well as special interest concessions to pineapple and banana growers – and even renters of tuxedos.

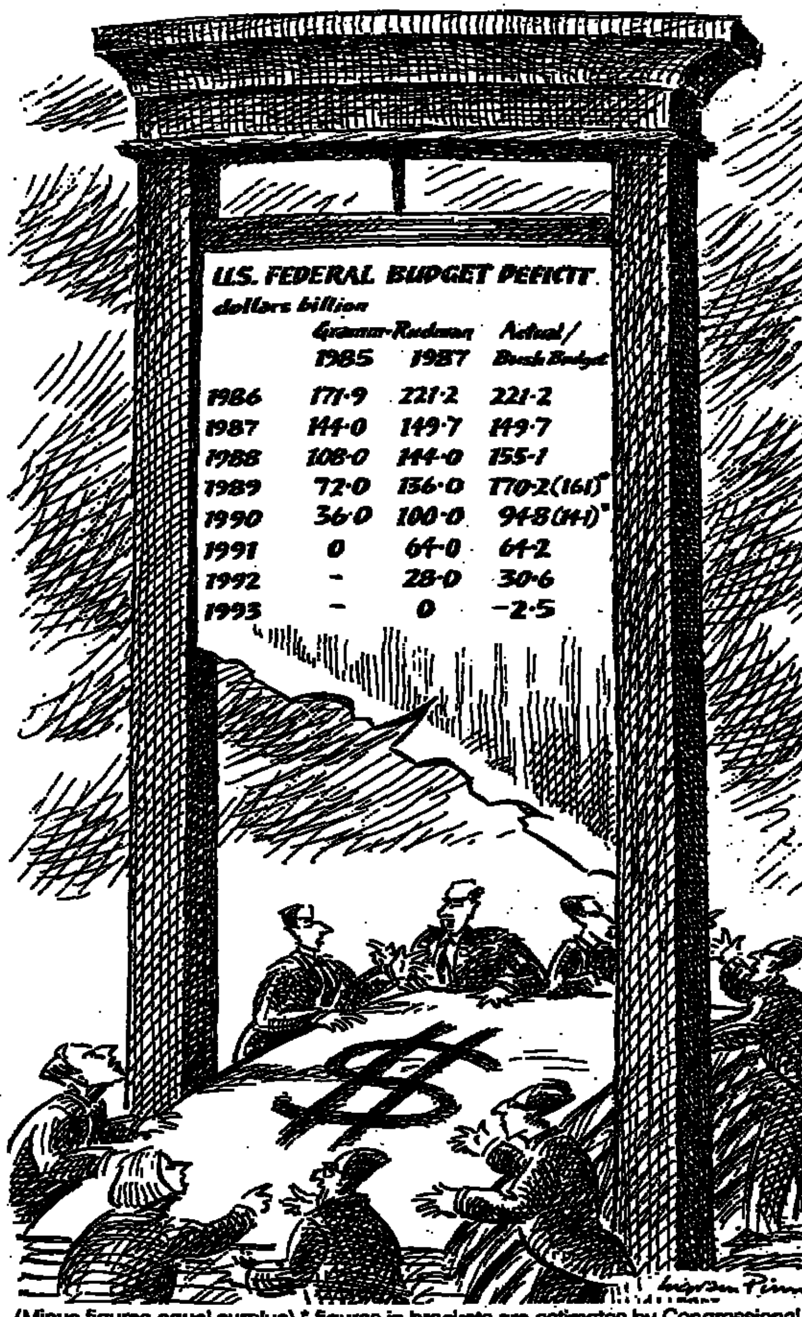
More important has been a long and bitter row resulting from the White House's desire to cut capital gains tax. This is intended to stimulate enterprise and investment. But a cut has been depicted by the Democratic leadership as primarily helping the already well-off. There is little dispute that in the short-run a sharp reduction in capital gains tax will boost sales of assets, and thus tax revenue, but Democratic economists have argued that after a couple of years there will be large revenue losses.

This row has poisoned the political atmosphere. The White House succeeded in winning over sufficient conservative Democrats (mainly from the South and timber-producing states which would benefit) to join with the Republicans to win approval for a two-year cut in the tax. The temporary nature of the cut has provoked further criticism. It is this issue – together with other "extraneous" provisions cutting taxes or increasing spending – which last week held up the deficit reduction bill in the Senate.

Mr Bush and his fellow Republicans believe they are on to an eventual winner on gains tax. They are probably right since there appears to be a majority in both houses for a cut on a permanent basis, possibly with a sliding scale giving larger relief the longer an asset is held.

The Democratic Congressional leadership – headed by the consensus-seeking Senator George Mitchell and Speaker Tom Foley – are furious. They believe the Administration not only has destroyed the bipartisan spirit of the summer but also has acted irresponsibly in putting a tax cut for the rich ahead of deficit reduction. They also argue that this compromises Mr Bush's initiatives on drugs, education and Eastern Europe where promises are not backed by a willingness to provide resources.

A direct result is that Mr Richard Darman, the Budget director, who has enjoyed the reputation as Washington's cleverest operator, has had to concede that bipartisan talks planned for now will have to be put off until at least early next year. Privately, Congressional leaders are saying that no agreement will be possible to achieve the much larger, $40bn-plus, deficit reduction required for fiscal 1991, especially as there are elections next year. So the administration will have to produce the answers on its own.



U.S. FEDERAL BUDGET DEFICIT
dollars billion

	Gramm-Rudman 1985	Gramm-Rudman 1987	Actual/ Bush Budget
1986	171·9	221·2	221·2
1987	144·0	149·7	149·7
1988	108·0	144·0	155·1
1989	72·0	136·0	170·2(161)*
1990	36·0	100·0	94·8(141)*
1991	0	64·0	64·2
1992	-	28·0	30·6
1993	-	0	-2·5

(Minus figures equal surplus) * figures in brackets are estimates by Congressional Budget Office for 1989 estimate of outturn and for 1990 projection before taking account of $11bn to $13bn budget-cutting packages before Congress. Otherwise source of figures in Budget Office

In the short term, sequestration will mean cuts evenly distributed between defence and domestic discretionary programmes (that is, excluding social security). The main immediate impact will be small reductions in reimbursements under the Medicare health scheme. But before long a budget packet will be agreed to cut the forecast deficit to near the $100bn for fiscal 1990; there is a $10bn leeway anyway. However, no-one believes that the deficit will turn out near that level; somewhere in the $140bn to $160bn range, as in the past three years, is a common projection – or rather – guess.

The problem is that Gramm-Rudman is inherently flawed. It is not a discipline on real spending, but on forecast levels of spending. There are a series of loopholes:

- The revenue and spending projections are heavily dependent on the economic assumptions used. The Reagan Administration consistently forecast higher economic growth and lower interest rates, and hence a much lower deficit, than most economists. And the Administration's projections rather than those, say, of the Congressional Budget Office are binding. The Bush Administration's economic forecasts have been less unrealistic – in part because of strong growth – but they are still, inevitably, at the optimistic end of the range.
- There is wide scope for accounting fiddles, in particular shifting expenditure and revenue between fiscal years. For instance, the Pentagon's payday was shifted to September 29 from October 1 and there was a similar adjustment in farm price-support payments to cut the deficit for fiscal 1990 by $4bn and raise the figure for fiscal 1989 by a similar amount. The US Post Office, with a deficit of $1.7bn, has been shifted off-budget.
- There are no penalties for exceeding the deficit target once a fiscal year has started. Once the sequestration order has been issued it does not matter what additional expenditure is decided. There is no clawback either during a fiscal year, or subsequently, for missing the target, which encourages transfers between years and spending money before the end of the year in September. For instance, it was decided in July that $20bn of the $50bn initial cost of rescuing insolvent savings and loan institutions (building societies) would come within the budget and in the 1989 fiscal year. There was a scramble to spend the money in less than two months; in the end roughly $8bn was left unspent. But the remaining $30bn of the rescue coming in the current 1990 fiscal year was counted outside the budget, and therefore does not figure in the deficit calculations.

Consequently, Gramm-Rudman is widely seen as a defective tool – encouraging short-term expedients to massage the figures rather than acting as a discipline to produce lower deficits. Federal organisations engage in deals with small immediate outlays but large long-term costs.

Given all these loopholes it is perhaps surprising that the deficit has fallen at all. Admittedly, in the absence of strong market and political pressures, it has remained broadly static in cash terms for the last couple of years. But the share of the deficit in US Gross National Product has declined from about 6 to 3 per cent since 1985. While the strong economic growth of the late 1980s is responsible for most of the drop, without Gramm-Rudman the deficit would undoubtedly have been higher. The law has helped to slow the growth both of overall spending and, since 1985, has reversed the earlier sharp rise in the Pentagon's budget and cut back payments to doctors and hospitals under Medicare and Medicaid. It is, as Senator Phil Gramm, the law's co-author, said yesterday, "the only century at the gate."

Mr Robert Reischauer, the director of the Congressional Budget Office, concludes that Gramm-Rudman has "worked, but not worked well. It has imposed a lot of pain and suffering on the political process to achieve fairly modest results. It is not a thing to keep up for a long period of time. It is destructive of the political process."

The inherent weaknesses of Gramm-Rudman and the political costs have made early reform virtually certain. The main focus is on the surplus of the social security trust fund – a payroll tax to pay pensions in later years – which is now counted within the deficit and is expected to be about $68bn in fiscal 1990, rising to over $100bn within three years. By including this surplus within the deficit, the government is in effect spending now at the expense of future beneficiaries. There is bipartisan support for separating social security from the rest of the budget and extending the goal of achieving a balanced budget from 1993 until the late 1990s, as part of a general strengthening of the law.

One Congressional leader closely involved said that if international investors and markets concluded from recent events that the administration was not serious about reducing the deficit and would just muddle along, they would be right. This reflects the short-term "now-nowism" which Mr Darman himself so eloquently attacked as one of the main ills of US society. But in the absence of a political or market crisis, muddling along and short-term management seem to be characteristic of the Bush Administration.

OBSERVER

Lot of firsts for Sammi

■ Not many British industrialists work for Korean companies. George Turnbull, the man who moved from the old British Leyland in the 1970s to help build up Hyundai Motors, was one of them. Another is Dr Roland Madison of Sammi Steel.

Madison, now 43, was born in Grimsby, did his metallurgy and engineering studies in Sheffield and used to work for a Sheffield-based company called Osborn Steels. It closed in 1979.

Osborn Steels, however, had a technical services division which specialised in advising other steel companies. One of them was the Sam Yang Special Steel Company of South Korea, now known as Sammi Steel Co, Ltd. Sammi Steel may be about to become, if it has not done so already, the biggest special steel producer in the world.

Madison married a Korean in 1977. She did not much like England, and he switched to the Korean company when Osborn shut down. Since then he has done a long stint marketing Sammi products in Los Angeles, though he has also worked in Korea itself. "The working language when I'm around is English," Madison says, but he adds that Korean is not too difficult. "I can get around in it quite easily."

Now Madison is setting up in Toronto, for in August this year Sammi Steel acquired a number of stainless and special steel plants from Rio Algom, a Canadian subsidiary of Rio Tinto Zinc. It was the first major overseas acquisition by a Korean company. Two plants in the US went with the deal.

Madison's job will be to look after the co-ordination of all the North American plants, as well as the marketing strategy. "I'm still basically an engineer," Madison said in London on Friday, "but in the last few years I've been more involved with strategic planning."

In another first for Sammi Steel, Merrill Lynch is launching a $50m bond with warrants for it in the Euromarkets this week. There seems to be no end to the ambition. Over half the North American products will go to Korea for the country's booming car industry.

In a use of statistics not previously known to me, a Sammi director explained: "There is an average of 156 kilos of Sammi steel in every automobile made in Korea." The view is that whatever happens elsewhere, there will be no recession in Seoul.

As for Mrs Madison, "she liked California," her husband says. "Toronto will be somewhere between Sheffield and Los Angeles."

While we wait

■ Two stories always come back whenever there is a stock market crash. The more familiar is about the man who jumped from the roof and was asked as he passed the 13th floor how it was going. "All right, so far."

The one I prefer is of the man in the same predicament who, as he passed his own office, heard the telephone ringing.

End to skol

■ Kjell Magne Bondevik, Norway's new Foreign Minister, is also leader of the Christian People's party leader, and has already expressed concern about alcohol consumption in the diplomatic ranks.

To what extent his pledge to curb drinking at official functions will be put into effect remains to be seen. There is speculation, however, that this could be the most concrete change in Norwegian foreign policy arising from the change in government in Oslo.

"I hate black Mondays."

Because of their large oil industry, Norwegians have earned the nickname "blue-eyed Arabs". Should Bondevik ban alcohol at ministerial receptions, Norway will have taken a step closer towards the religious fundamentalism practised by some of its oil-producing friends in the Middle East.

Yet there may be a hitch. Carl I Hagen, the Progress Party leader, on whose tacit support the new government depends, would like Norway's restrictive alcohol policy to be liberalised.

On the other hand, Hagen also favours legalised casino gambling. That could attract some of the Arabs to Norway.

Vive Napoleon

■ The ubiquitous Kenneth Branagh has probably had publicity enough. Still, anyone who has not yet seen it should try to catch up with his direction of John Sessions in Napoleon the American Story at London's Phoenix Theatre.

Anyone who likes outrageously bad puns and a touch of camp acting, that is. It is a one man show of amazing virtuosity. One way of viewing it is to see how many of the allusions you catch. As for bad puns, there is Napoleon coming from Corsica and being "hoist by his own patois". When he sits down at the end in St Helena, he composes Nap's Last Tape. The final note is Je ne regrette rien, played very loud by Piaff. Oddly enough, Sessions still manages to tell the Napoleon story.

Commonwealth

■ Here is at least one vote of confidence in the future of the Commonwealth, whose Heads of Government Conference (known to diplomats as CHOGM) opens in Kuala Lumpur this week. Richard Bourne is starting a fortnightly Commonwealth Newsletter.

It will be called just that – Commonwealth Newsletter – and will be modelled on such publications as Africa Confidential and, Bourne says, even more so Latin American Newsletters. Both those publications have managed to serve a specialist public around the world over the years with items that would not always reach the newspapers in any detail.

Bourne spent the last six years as Deputy Director of the Commonwealth Institute in London. Before that he was a journalist on New Society and the Guardian. One of his other great interests is Brazil.

A charter issue of Commonwealth Newsletter will be available in Kuala Lumpur. Publication proper starts in January.

Inside tip

■ Advertisement in a Norfolk newspaper: "For quick sale. Rowing machine, portable sauna, weight-lifting gear and several track suits. Owner going abroad."

John Jennings, head of Shell's worldwide exploration and production talks to **Steven Butler**

Linking gadgets with reserves

Most of the world's oil industry is expecting, if not actively betting on, an oil supply crunch in the next decade – when demand, stoked by an era of low prices, finally catches up with the surplus of supply capacity and prices race ahead.

Yet the world's biggest oil company, Royal Dutch/Shell, is placing its bets elsewhere. Mr John Jennings, group managing director and head of Shell's worldwide exploration and production effort, last year became the most prominent pessimist of the oil producers when he said oil prices were unlikely to rise much in the coming years, if at all.

The rapid increase in oil demand this year has won new adherents for the high price scenario almost by the week. But Mr Jennings has not changed his view that sustained price rises above $20 a barrel are unlikely.

Part of Mr Jennings' doubt is based on an intimate understanding of how much has changed in the business of finding and producing oil. Progress in a number of technologies has produced a minor revolution in oil exploration.

"Most of the time it was like this," he says, waving his open-fingered hands in front of his face, "and you couldn't tell whether it was a man or a woman standing behind the screen."

Mr Jennings is talking about seismic surveys, the technology used to locate underground reservoirs by bouncing sound waves off rock formations within the earth and trying to reconstruct them by the *shape of the echo.*

Because of recent advances, he says, "The quality of the data has gone from the earliest gramophone needle to the CD. You can actually see what you are doing. You drill holes where you want to drill them the first time."

It remains to be seen how much impact new technology will have on oil supplies, but it has already transformed the outlook for oil companies like Shell. It has made it possible for Shell to think of making money at the prices Mr Jennings envisions, and, perhaps as important, helped to revive a sense of excitement among the oil explorers, who are once again blazing new trails.

"During the period of very high oil prices, and consequently very high upstream margins, we in the industry got ourselves into a rather unhealthy state of feeling extremely confident of its future prospects. The upstream *part of the oil business, the* offshore part of it, takes an awful lot of technical expertise to even contemplate doing it let alone actually going there and executing it. The ethic of such organisations is dominantly technical. And if you live in a world where profitability of your project is very comfortable . . . thank you very much . . . the technical ethic dominates so strongly that it pushes commercial considerations into a corner."

It is taking these considerations out of the corner that has preoccupied Shell as well as most other big oil companies in the past few years, resulting most recently in the drastic staff cuts and restructuring at BP Exploration.

Much of the adjustment process has consisted of redirecting that technical ethic away from ever more elaborate and sophisticated projects, to using technology to make things simple, raise effectiveness and cut costs. Mr Jennings sees seismic technology, especially the development of three-dimensional imaging, as the single most important breakthrough.

Although the mechanics of *3D seismic technology have* been available most of this decade, it has been the recent development of super high-speed computers and advances in software that have made it possible to manipulate into useable form the vast quantities of geological data generated by a bang or a pop on the earth's surface.

And then there are the recently-developed packages of steerable drilling assemblies that make it possible to hit targets *precisely deep under the* ground, for miles around. From a single drilling point, it is possible to follow the drill-bit electronically, eliminating the need to pull it up to check where it has gone. But it does not stop there.

"Then you can integrate all the relevant information on an accumulation of oil or gas, knowing its physical characteristics, knowing the nature of the rocks that have accumulated there, knowing the extent *to which you can expect one* reservoir to have a geographical extension, or to be connected with the other reservoirs. Using the same computing power you can now simulate the behaviour of the reservoir under production conditions and you can try out in your simulator various ways of producing the oil and gas. And that way, having found the structure, you can optimise the recovery."

It is difficult to restrain Mr *Jennings's enthusiasm for all* of this gadgetry and what it can do, from raising recovery rates, to direct observation of hydrocarbons in the ground and pushing production into ever deeper and more hostile waters – profitably.

Even so the world is running out of highly prospective oil basins, raising a question about the future of the oil companies, even if Shell and the others can continue to replace their reserves in the near term.

"The challenge of course is to continue doing business. And you can do business with somebody else's reserves as well as your own."

Mr Jennings suggests countries with vast oil reserves may *soon find it expedient to strike* up a new relationship with the international industry, to welcome back the companies they rudely ejected over the past 20 years.

"If you go in the 1950s to a country which has a major sedimentary basin, and you obtain a concession to explore, and you explore and you are successful and have a major find, then in the 60s you build up production in that country to make it much richer than they've ever dreamed. Then in the 1970s it gets so rich and confident that it buys you out and puts you in a position of some sort of minority shareholder or contractor. And then *in the 1980s it gets so fabulously* wealthy that it really wonders whether it shouldn't have a national oil company and put you in your place. It does that."

Then the national oil companies hired technicians and managers from the local staff of the private companies, only to find revenues plummeting with the collapse of oil prices.

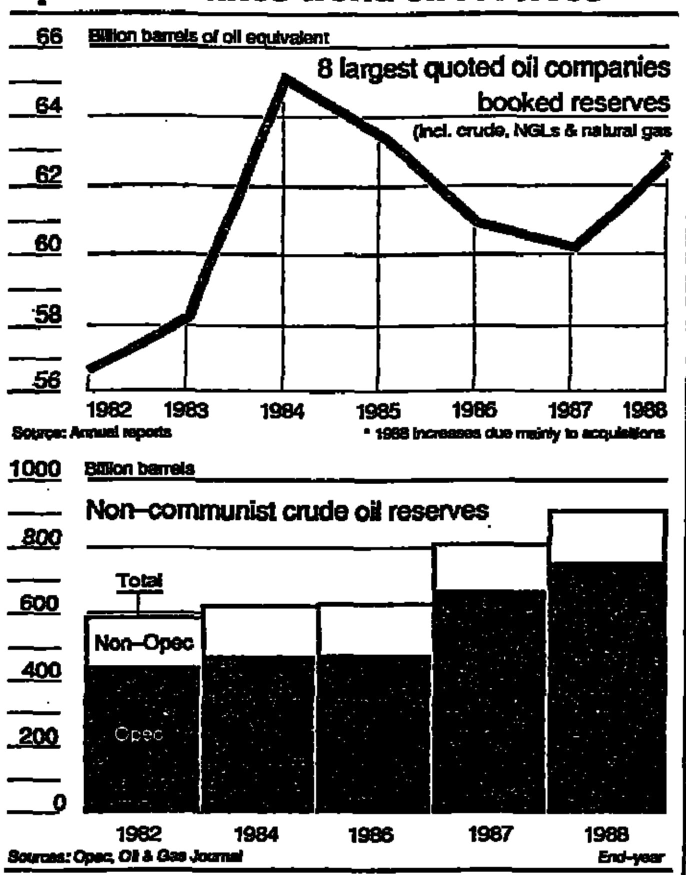
"In the 90s it finds out it is not only in dire straits financially but it has wasted its technological know-how. People who joined the national oil company when it was formed haven't trained their successors. They haven't established research organisations. They can't do 3D seismic. And if *they can they can't interpret it.* So they've wasted their stock of human know-how. Maybe they find it extraordinarily difficult to organise themselves. The national oil company gets caught up in political considerations and people come and go as a result, which can't be but to the detriment of the performance of the organisation."

Of course the performance of the national oil companies, which now control most of the world's oil reserves, varies from country to country. Yet put very bluntly, Mr Jennings is saying that as a class they are failures when stood next to their private counterparts.

"They will reach a point *where financial (needs) will* lead them to look for new sources of money to develop their existing oil fields properly, as well as to establish new oil, as well as to train their people, as well as to bring the technology that those fields need all together. And they could look to the international oil industry or look to contractors in various associations together with banks. And they can come to an arrangement which seems to meet their needs and it won't be quite the same as any arrangement they ever had before. But it will mean that dollars from an outside source will be invested in their country together with technology from an outside *source.*"

Shell, and its rivals in the industry, are still busy risking money to look for oil. But the idea offers one answer to a critical question overhanging the industry: what will happen to the vast capital resources of the major oil companies plus their proven technical and management skills after they eventually and inevitably give up hope of replacing the oil they produce with new discoveries?

Opec dominates world oil reserves



LOMBARD

Fed well prepared for Wall Street crash

By Samuel Brittan

I WAS in the governors' suite of the Federal Reserve in Washington when the news of the Wall Street crash arrived last Friday afternoon. The Fed seemed well-prepared for such an eventuality and I was much taken by the prevailing calmness. A few notes were passed in and out. One or two people returned momentarily to their offices. But I was not asked to leave and the conversation on policy principles was soon *resumed.*

The immediate explanation was that the stock market had been very high and that programme trading had magnified the impact of the failure to syndicate the loans for the United Airlines buy-out – an accident waiting to happen.

The economic chattering classes also contributed their mite. There was a hilariously wrong interpretation of a lecture given by the Federal Reserve chairman, Alan Green*span in Moscow on October 10* on banking principles. Indeed, Mr Greenspan had gone out of his way to find a topic of value to the Soviets but which steered clear of the US policy debate.

He did say that too much attention to short-run output goals "may lead to high inflation rates and reduced output growth over the long run," a warning that belongs in every first-year text book – as does his other warning about the *folly of attempting to hold* interest rates at unsustainably low levels. But these timeless generalities were interpreted as fresh opposition to the Administration's plea for lower interest rates.

Similarly, Greenspan's equally timeless remarks about attempts to maintain unrealistic exchange rates (particularly apposite in Eastern Europe) were interpreted as opposition to Group of Seven attempts to prevent the dollar over-shooting. In fact, Greenspan is a strong supporter of the G7 process and believes that the 14 Finance Ministers and central bank governors are beginning to act like an embryonic world economic directorate. He is particularly impressed that alliances are formed, cutting across not merely national boundaries but even across the more profound central banker-Finance Minister divide.

But as bad luck would have it, two indicators were published on Friday which played into the hands of the hard-line interpretation. There was a 0.9 per cent rise in wholesale prices in September and also a rise in a very preliminary *index of retail sales.* The wholesale price increase came after three months of decline and was largely accounted for by volatile energy prices and the abnormal timing of discounts on automobile prices. None of this prevented the teenage analysts from saying that the Fed would now adopt a still harder line on interest rates.

There is none of the venomous hostility which the monetarist acolytes display towards Lawson or US supply siders displayed towards Volcker

The opposite is the case. The predominant belief of the Fed Open Market Committee for some months past has been that there is slightly more danger of recession than inflation. These pressures were hidden by distortions in the output figures, distortions which Greenspan is a past master at unravelling. The prevailing belief was expressed in Fedspeak in the minutes of the August 22 meeting which stated that monetary tightening "might" be acceptable, but that relaxation "would" be acceptable if conditions changed.

The Wall Street crash, unless it is reversed this week, is surely such a change, given how evenly tilted the balance was before. The Fed takes both Wall Street and the dollar into account in formulating policy; and my strong impression is that an easing is in the pipeline. There is no question of the Fed being less concerned with the dollar than the Administration. It is rather that as the Fed leans to inflation control it worries more when the dollar is weak. The Administration, with its growth bias, worries more when the dollar is strong.

What strikes the English visitor is how narrow and friendly the differences are. The Treasury Secretary, Nicholas Brady, and Greenspan are dining companions. While the budget director, Richard Darman, may be a little more out*spoken, there is none of the* venomous *hostility which the* monetarist acolytes of Mrs Thatcher and Sir Alan Walters display towards Nigel Lawson or which US supply siders displayed towards Paul Volcker during his squeeze of the early 1980s.

Greenspan himself told his Soviet audience that the US price level was linked most closely to a broad monetary aggregate (M2) over "three to five years." He is unrepentant about the squeeze on the US monetary base for which some take *him to task and which is* the equivalent of M0 in the UK.

A large part of the total consists of dollar bills held outside the US; and even apart from that was not a good predictor. The main advice I could pick up for the UK was that it was simply not a good place to be a monetarist – or a fiscalist either, in view of the perverse response of the balance of payments to the budget surplus.

But my abiding impression was how little impact the UK hysteria about sterling and the trade figures was making. One had to search the foreign exchange market reports for any inkling of the arguments between the British Chancellor and his critics. It may be that the US media are too insular. But the truth is that the so-called British crisis has been largely manufactured at home.

LETTERS

State schools and a choice of alternative curricula

From Professor S.J. Prais.

Sir, In calling for greater equality of opportunity in schooling, Michael Prowse is right to draw attention to the immensely better results in public examinations attained by pupils in private schools than by those in state schools ("An obsolete tradition," October 13). The same difference in outcomes has been found in the US where private schools – contrary to Mr Prowse's suggestion that they play a "subdued role" – account for more than twice the proportion of school pupils than they do in Britain (14.5 per cent compared with 6.4 per cent).

Among the important reasons why private schools do better is that they focus to a greater extent on learning outcomes, mastery of agreed syllabuses and on allowing more pupils to be stretched by promoting them according to ability and achievement. They tend to avoid the unfocused "learning activities," mixed ability teaching and teaching down to a common level which characterise so much of Britain's state comprehensive system.

The correct lesson to be drawn from the comparisons is not that the wings of private schools should be clipped, but rather that state schools should provide parents with a choice of alternative curricula. Those parents, for example, who wish their children to be instructed from an early age in traditional basics – including spelling, punctuation and arithmetic – should be allowed to do so, even if that approach happens to be out of favour at the Department of Education. If parents subsequently wish their children to take externally-marked O level examinations at an early age, rather than the GCSE at the common age of 16, with assessments by the children's own teachers, they should have the option.

This is not possible under the Government's recently introduced policies on the national curriculum and the GCSE. We can agree that these policies should, in the long run, prove to be an advance for the many schools which have worked without proper curricula. But many other schools, and many pupils, will be deprived of the opportunity to do better by the lack of choice that these instruments of policy have imposed on all. Instead of requirements for minimum attainments with scope for flexibility, they have imposed a strait-jacket without the differentiation of curricula provided under the French, German, Dutch and Swiss systems.

There is still time for the Government to think again.

S.J. Prais,
83 West Heath Road, NW3

From Mr J.G. Bellak.

Sir, Michael Prowse again raises the spectre that all Britain's ills can be laid at the door of the public schools. He says "the Attlee cabinet . . . failed to grasp the public school nettle." Does he suggest that private education should be forbidden and that people who have paid their taxes legitimately should then be denied one of the freedoms enshrined in the Human Rights Convention?

Mr Prowse also seeks to perpetuate the widespread illusion that a similar choice does not exist in other successfully developed countries. Has he not heard of the immense sacrifices made by Japanese parents to have their children privately tutored in order to get them into the best schools? Does he really believe that the French child who goes to the Lycée Janson – which draws pupils entirely from among the Paris upper class and upper middle class – receives an education of exactly the same standard as a child in less privileged surroundings?

J.G. Bellak,
Chairman,
Severn Trent Plc,
2297 Coventry Road,
Birmingham

GATT and the trade in services

From Professor Marcelo de Paiva Abreu.

Sir, Peter Montagnon, in his review of the GATT report International Trade 88-89 ("Project to unravel the numbers for trade in services," September 29), says that the limited trade in services of Brazil and India may provide another argument for their resistance to liberalisation as proposed by developed countries in the present Uruguay Round.

Any argument on the relevance of markets for services needs to take into account not only trade in services but also trade in goods which embody services, the size of domestic markets in services and their expected growth. The provision of services is closely related to the right of foreign companies to establish themselves in domestic markets. Therefore, the "numbers" must cover not only direct and indirect trade in services but also profit remittances by foreign companies supplying services and a thorough analysis of transfer prices.

It is disappointing not to see acknowledged the very substantial concessions – for good or bad reasons – made by Brazil and India in Montreal and Geneva in relation to major issues such as services and intellectual property. The more so as the developed countries have conceded nothing on the "backlog" issues and concentrated their efforts on "something for nothing" behaviour.

It would be good if the developed countries, and especially the US, produced proposals which could be politically sold in the capitals of developing countries as mutually advantageous to all contracting parties as required by the Punta del Este declaration and, indeed proposed in relation to textiles by your leading article "US goals in the Uruguay Round" on September 29.

Marcelo de Paiva Abreu,
Department of Economics,
Catholic University,
Rio de Janeiro

VAT option

From Mr David A. King.

Sir, If the Chancellor's main aim has been to attack inflation and consumer spending, why use the all-embracing tactic of raising interest rates, hurting the innocent and, more importantly, Tory voters. Why not simply raise VAT, omitting items such as clothing?

David A King,
Central and City,
55 St James's Street, SW1

Buyouts led by management

From Mr Laurie Brennan.

Sir, I suggest that the title of your management buy-outs survey (October 11) should be altered to "management-led buy-outs." Managers' self-interest demands that they offer participation in the buy-out to all employees.

Without employee share participation, the buy-out message for non-managers is: "those who are lucky enough to keep their jobs must work harder in order to make managers rich." "Rich" is a comparative and subjective state of being, so that managers need not give up very much to secure the workforce's co-operation.

Laurie Brennan,
New Bridge Street Consultants,
Tallis House,
2 Tallis Street, EC4

Consultancy in a federation

From Mr David Clark.

Sir, Your otherwise excellent survey of management consultancy (October 6) implies that this kind of expertise can be had only from large multi-service organisations, medium-sized consultancies, and one-man businesses. There is, however, a fourth alternative. It is a federation of small consultancies, one of which we have operated successfully in Scotland for several years.

In an organisation of this kind, consultants pool their expertise to provide services in many disciplines. A co-ordinating centre provides the research, marketing and administrative services, and the quality control. The consultants have all held senior management positions and know how to implement ideas. Because there are no full-time salaried consultants, there is no pressure on the centre to find marginally relevant work; the client always gets a consultant who has had intimate experience of the type of problems he faces. A small continuing overhead means fees can be lower.

This approach to consultancy is one way of making available to the nation some of the vast reserves of knowledge and experience which our early retirement system tends to bury.

David Clark,
David Clark Associates,
9 Royal Crescent,
Glasgow

FINANCIAL TIMES
Monday October 16 1989

Janet Bush on Wall Street

Salomon's love affair with risk

VISITING *the spanking new*, football field-dimensioned trading floor of Salomon Brothers in London shortly after Big Bang in 1986, one could not help but think that something immensely important was taking place.

There were the plastic, marble columns and black onyx fireplaces of the executive dining rooms whose luscious velveteen curtains framed huge windows on to the green and black ticker tapes and high-tech of the floor below.

Then there was the head of the gilt-edged trading desk, a Briton with an outrageous mid-Atlantic twang, resplendent in a T-shirt saying "Salomon's Big Bang Team" and orchestrating buy and sell orders by pointing at his traders with a baseball bat.

Salomon Brothers, the US securities house which rode supreme on the crest of the great 1980s bull market in bonds, had always seemed bigger and better and more serious than anyone else.

Take the deathly pale, bespectacled Salomon man dining at a rather frivolous annual bash put on in New York by financial journalists for their Wall Street contacts. "Having fun at Salomon?" someone asked. "I am in options. My life is options," he replied, not a flicker of emotion crossing his face. "It pains me how little people understand them."

Salomon Brothers has always had a special place in Wall Street mythology. Liar's Poker, a frighteningly evocative and frequently hilarious description of life at Salomon is published at the end of this month. It is written by Michael Lewis who, by his own account, was a pretty successful bond trader in Salomon's London office until he left early in 1988.

The title is taken from a gambling game, played regularly on the bond trading floor of Salomon's Lower Manhattan offices. In Liar's Poker, a group of people form a circle, each holding a dollar bill close to his chest. Each player then attempts to fool the others about the serial numbers printed on the face of his dollar bill - a complicated game of bluff with high stakes.

As Mr Lewis tells it, Mr John Gutfreund, Salomon's chairman and, in the glory days, dubbed the King of Wall Street, walked on to the trading floor and offered a challenge to John Meriwether, a star bond trader and lethal Liar's Poker player: "One hand, one million dollars, no tears."

This is indeed part of Salomon folklore but as every Salomon man and woman will tell you, Mr Lewis got the story wrong. John Gutfreund has indeed been known to play Liar's Poker, fancying himself a trader and desperate to be accepted by the boys, but it was not the chairman who issued the challenge.

It was, in fact, an extremely popular - *some would say* eccentric - bond salesman called John O' Grady. When John Meriwether turned down his challenge, John O'Grady stared him out and offered another: "One hand, no tears, one finger."

He meant it literally. There was many a time, according to a friend of O' Grady's when he would - literally - bet one of his extremities (finger, toe) at the ninth green in a game of golf.

No matter that Mr Lewis has got it wrong. The Liar's Poker anecdote beautifully captures the machismo, the vaingloriousness and the love affair with risk which lies at the heart of the Salomon Brothers culture and credo.

The book is at its best when it is at its most outrageous. Mr Lewis describes with relish the phenomenal money-making machine of the mortgage trading desk, peopled with an Italian "mafia" under the leadership of Lewis Ranieri who started in the mail room, was later tipped as Gutfreund's successor and then summarily fired.

Their aggression towards the rest of the firm and particularly the Wasps (White Anglo-Saxons) was expressed in defiant obesity. They joked about how thin government bond traders who ran triathlons at weekends still couldn't make money during the week. The more money they made, the fatter they became and the more they loathed skinny people.

In the later pages, Mr Lewis himself becomes a rather nauseatingly successful - and by this stage, rather moralising - bond trader and the entertainment value begins to fade. The more loathsome the characters are and the greater the excesses, the funnier the book is.

FREED SEVEN CALL FOR RELEASE OF MANDELA

Sisulu moves to re-establish ANC

By Patti Waldmeir in Soweto

SEVEN senior leaders of the African National Congress (ANC) were released from prison yesterday, and immediately moved to re-establish their banned organisation at the head of the anti-apartheid movement in South Africa.

The seven elderly men, six of whom had spent a quarter of a century in jail, were met by overjoyed friends and family when South African police returned them to their homes at dawn yesterday.

The dignified, white-haired Mr Walter Sisulu, 77, the most prominent of the released prisoners, was carried shoulder-high by youths outside his Soweto home, while similar scenes of jubilation greeted his fellow prisoners.

The seven, who were released along with an eighth long-term prisoner from a rival political grouping, Mr Jafta Masemola, were among the most senior members of the ANC before it was banned by Pretoria in 1960.

Addressing journalists last night in the sprawling Soweto township outside Johannesburg, Mr Sisulu confirmed that the men were appearing as leaders of the illegal organisation, and said the meeting constituted the first press conference held by the ANC since its banning.

He and the six other leaders, who responded cautiously and calmly to a barrage of media questions, spoke against the backdrop of a large banner in the green, black and gold colours of the ANC, while an ANC *flag hung limp behind them.*

Asked whether they were unilaterally declaring the movement unbanned, Mr Sisulu avoided *a direct reply*. But the openness with which ANC banners were displayed, and songs sung in praise of the ANC's military wing, Umkhonto we Sizwe, was unprecedented by South African standards.

However, the leaders clearly avoided overtly inflammatory statements, stressing again and again the need to consult with internal black political leaders over their future strategy.

The men - Mr Sisulu, Mr *Ahmed Kathrada, Mr Elias* Motsoaledi, Mr Andrew Mlangeni, Mr Raymond Mhlaba, Mr Oscar Mpetha and Mr Wilton Mkwayi - issued a statement expressing gratitude to individuals and governments which had worked for their release.

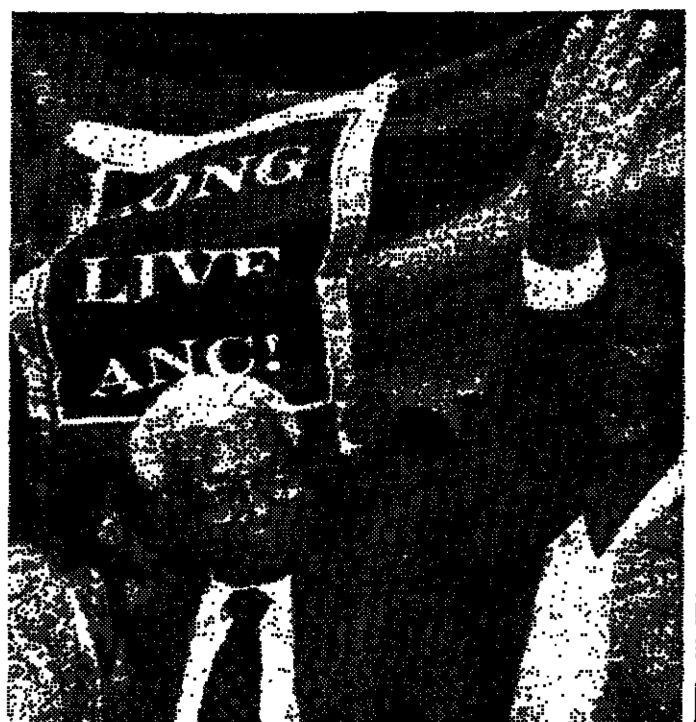
But they branded the release a "half-measure" on the part of Pretoria, calling for continued pressure to secure the release of Mr Nelson Mandela, the leader of the ANC, who remains in prison.

"There can be no real joy in our release when we think of the comrades left behind, especially Nelson Mandela, who has been in prison longer than any of us," the statement said.

Nonetheless, the released leaders conceded that the release showed that Pretoria "is beginning to be sensitive to issues that affect the people of South Africa" and called on the Government to create "a climate for negotiations."

"The ball is in the Government's court," said Mr Andrew Mlangeni, stressing that the ANC would continue with its armed struggle until the Pretoria was ready to meet its demands.

They stressed the need for order and discipline in the anti-apartheid movement, insisting that they would be guided by its leaders.



ANC leader Walter Sisulu waves to supporters outside his home *after his release from prison on Sunday*

Freed prisoners will meet a new breed, Page 3

Ryzhkov tries to head off anti-reformists

By Quentin Peel in Moscow

MR Nikolai Ryzhkov, the Soviet Prime Minister, last night sought to head off a growing backlash against the perestroika reform process, pleading for more time to allow the changes to work.

In a nationwide television broadcast, he promised there would be no consumer price reforms next year, and no monetary reforms, but warned that soaring wages were the greatest threat to the economy.

He revealed that the chaos on the Soviet railway system has left 25,000 tonnes of imported food products, and thousands of tonnes of shortage consumer products like soap and detergent, stranded at entry ports.

He also made it clear why the government had demanded a strike ban for the next 15 months, saying that 2m working days were lost in September alone, with production losses of up to 3bn roubles, from strikes which did not include the mass miners' strike of July and August.

Mr Ryzhkov's grim picture of the Soviet economy was broadcast at peak viewing time last night, as part of a co-ordinated government effort to answer a growing tide of criticism of the economic reforms.

A conservative backlash, apparently enjoying widespread support from the official trade union movement and from within the Communist Party has emerged in the so-called United Front of Workers of Russia, founded in the Siberian city of Sverdlovsk last month.

Mr Venyamin Yarin, co-chairman of the front, told the trade union newspaper Trud this weekend that "perestroika has gone on for five years, and enriched us spiritually, but unfortunately given little material support to the simple man. Workers and pensioners have started to live not better, but worse."

The government knows that those sentiments will strike a chord with many ordinary consumers, baffled at the failure of the reforms to produce rapid results in spite of upheaval in their work practices.

The trade unions have been campaigning for an outright price freeze, and a ban on wide sections of the new co-operative businesses, which reformers claim would reverse much of the liberalisation introduced with perestroika.

Dr Leonid Abalkin, the deputy prime minister in charge of economic reform, also tried to answer the complaints in a weekend interview with the popular newspaper Argumenti i Fakti.

He denied that the government was effectively imposing a wage freeze without a price freeze.

● Reuter adds: Mr Boris Yeltsin called yesterday for the removal of his arch-rival Mr Yegor Ligachev and two other members of the ruling Politburo - Mr Lev Zaikov and Mr Vitaly Vorotnikov. Mr Yeltsin also warned a mass meeting that conservatives had attacked reformers and journalists at a recent of Central Committee members and media chiefs.

US offers Japan olive branch

Ian Rodger explains a sudden change of attitude

WASHINGTON spokesmen, who have been hectoring Japan with increasing acrimony in recent months over its protectionist trade practices, suddenly changed their tune last week and adopted a conciliatory attitude, emphasising their commitment to what they call a "global partnership" between the two countries.

Mr Michael Armacost, the new US ambassador who stormed into Tokyo in May saying he would act as America's "first commercial officer", last week talked of Japan as "the most essential partner" for the US.

The new tone first appeared in a speech by Mr Robert Kimmitt, *under-secretary of state* for political affairs, who was visiting Tokyo last week for talks on political and defence issues.

Mr Kimmitt said that in political affairs, "co-operation between our two countries today is better and closer than it has ever been. Our goal is to combine our strengths, our talents and our resources and to act as a positive force for a more peaceful and prosperous world."

Coming from a senior State Department official, that tone was not a great surprise. State department officials are often attacked in the US these days for being too soft on Japan. However, later in the week, the same kind of language was adopted by two visitors from departments that have had ding-dong disputes with Japan, and still have long lists of pending issues.

Mrs Carla Hills, the US Trade Representative, told members of the American Chamber of Commerce in Japan at the weekend that she was trying "to create a more co-operative atmosphere" for settling trade issues, while Mr John Robson, deputy secretary of the Treasury, said in a speech: "Sometimes we are guilty of looking too much at the tensions and not enough at the co-operative efforts we have under way to reduce those tensions."

To some extent, this sudden co-ordination of tone is fortuitous. By coincidence, a large number of US government leaders were in Japan making speeches at the same time last week.

US officials in Tokyo realised that they would just look silly if they all came on with guns blazing, so there was an attempt to present a consistent, more moderate tone.

Whether it marks a real watershed in the overall US approach to relations with Japan is another question. Certainly Mrs Hills did not hesitate during her four-day visit to Tokyo to raise virtually every trade complaint that the US has against Japan, from bid-rigging in construction, to market entry restrictions in a variety of sectors, to outright discrimination against foreigners in such service areas as law and accounting.

However, as Mr Armacost said, "we think we have a relationship of sufficient confidence and importance that we can speak directly to each other".

One new factor in the relationship is the surge of anti-Japan sentiment in America in recent months, especially in the aftermath last month of the takeover by Sony of Columbia Pictures.

According to one recent opinion poll, most Americans now believe Japan's economic success is more of a threat to the country than the Soviet Union's military power.

Some US officials now feel that, given the growing feelings of frustrations in the US, it would be irresponsible of them to further emphasise the differences and disputes between the two countries.

Mrs Hills went out of her way to say that she did not see Japan's economic achievement as a threat. "I see it as a wonderful accomplishment," she said magnanimously.

Mr Armacost put the poll result down in part to the fact that Americans worry more about economic problems now because the security threat from Moscow is receding.

Similarities to 1987 crash

Continued from Page 1

elsewhere around the world.

In Frankfurt, bankers drew attention to the strength of the domestic corporate scene as a result of high internal and export demand, which has been *translated* into excellent company earnings and rising share prices this year.

In Paris, a downward adjustment in share prices was also expected, but on a more moderate scale than in New York. In Zurich, a leading broker claimed yesterday that he had already gathered orders to buy shares if share prices fall by 5 or 6 per cent.

Stock markets that were open over the weekend registered immediate nervousness after Friday's drop in the US.

In Tel Aviv, *one of the few* exchanges to trade on Sunday, the index of the 35 most heavily traded stocks fell by almost 7 per cent. After a rise of more than 60 per cent since the start of the year, this was seen as an attempt by investors to realise some of their gains in advance of any further falls in world stock markets this week.

In Taiwan, the local stock index fell by 2.5 per cent during the two-hour trading session on Saturday.

Reports from Richard Waters in London, James Buchan in New York, Stefan Wagstyl in Tokyo, Hugh Carnegy in Jerusalem, Ian Davidson in Paris, Haig Simonian in Frankfurt, William Dullforce in Geneva and John Elliott in Hong Kong.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	21	70	Dallas		-	-	Madeira	F	22	72	Prague	F	10	50
Algiers	S	23	73	Dublin	C	15	59	Madrid	S	20	68	Reykjavik	R	4	39
Amsterdam	R	13	55	Dubrovnik	F	16	61	Majorca	F	23	73	Rhodes	S	23	73
Athens	S	21	70	Edinburgh	F	13	55	Malaga	F	22	72	Rio de Janeiro		-	-
Bahrain	S	31	88	Faro	F	22	72	Malta	S	23	73	Rome	F	20	68
Barcelona	S	21	70	Florence	S	18	65	Manchester	F	12	54	Salzburg	R	9	48
Belfast	R	11	52	Frankfurt	C	15	59	Melbourne	S	21	70	S'Francisco †	C	12	54
Belgrade	R	13	55	Geneva	S	14	57	Mexico City		-	-	Santiago		-	-
Berlin	C	12	54	Gibraltar	C	21	70	Miami †	S	26	79	Seoul	C	18	64
Biarritz	S	17	63	Glasgow	R	11	52	Milan	S	15	59	Singapore	F	31	88
Birmingham	F	13	55	Guernsey	F	17	63	Montreal †	F	5	41	Stockholm	S	8	46
Blackpool	C	13	55	Helsinki	S	6	43	Moscow	C	12	54	Strasbourg	F	13	55
Bombay	S	32	90	Hong Kong	S	27	81	Munich	C	9	48	Sydney	S	24	75
Bordeaux	S	17	63	Innsbruck	F	10	50	Nairobi	F	24	75	Tangier	F	23	73
Boulogne	S	15	59	Inverness	F	11	52	Naples	S	21	70	Tel Aviv	S	27	81
Bristol	C	13	55	Isle of Man	R	13	55	Nassau		-	-	Tenerife	F	24	75
Brussels	F	13	55	Istanbul	S	18	65	Newcastle	C	12	54	Tokyo	S	23	73
Buenos Aires		-	-	Jersey	C	15	59	New Delhi	S	31	88	Toronto †		-	-
Budapest	C	13	55	Johannesburg	S	25	77	New York †	S	15	59	Tunis	C	23	73
Cairo	S	29	84	Las Palmas	F	26	79	Nice	S	21	70	Valencia	C	18	65
Cape Town		-	-	Leeds	F	12	54	Nicosia	S	25	77	Venice	S	17	63
Cardiff	C	13	55	Lisbon	S	27	81	Oporto	S	23	73	Vienna	F	13	55
Chicago †	F	18	64	Locarno	C	21	70	Oslo	S	9	48	Warsaw	C	10	50
Cologne	F	12	54	London	F	14	57	Paris	F	16	61	Washington †	Fg	17	63
Copenhagen	F	10	50	Los Angeles †	C	17	63	Peking	S	16	61	Wellington		-	-
Corfu	F	20	68	Luxembourg	C	10	50	Perth	S	18	64	Zurich	F	12	54

C-Cloudy. Dr-Drizzle. F-Fair. Fg-Fog. H-Hail. R-Rain. S-Sunny. Sl-Sleet. Sn-Snow. T-Thunder.
† Noon GMT temperatures

UAL buy-out restructure

Continued from Page 1

to gain a seat on the US company's board and protect its joint marketing arrangements against the risks of a hostile raid from Mr Marvin Davis, the Los Angeles investor.

Mr Davis mounted a takeover offer this summer which prompted a counter-bid by the UAL management and BA.

Although Mr Davis is still on the sidelines with an offer to match the original UAL-BA bid, many analysts believe it is unlikely that he will step into the fray again at this stage before the dust settles on Wall Street.

There were suggestions on Wall Street yesterday that the collapse of the UAL financing was caused by a miscalculation by the consortium's two lead banks, Citibank and Chase Manhattan, by underpricing the primary syndication of the debt package.

"It seems that the two lead banks were too skimpy in their concessions to the primary banks. This led to the decision of the Japanese to pull out because they would have been undercut in the secondary market by the US banks," said Mr Guy Wyser-Pratt, executive vice-president at Prudential-Bache, the US securities house.

The decision of the Japanese banks to withdraw sparked off the crisis last Friday.

THE LEX COLUMN

The high price of liquidity

It is easy to run through the suggested reasons for what happened on Wall Street late last Friday, and what may, or may not happen on the rest of the world's stock markets this week. However, in the current nervous financial climate changing perceptions are even more powerful than underlying fundamentals, and that is why the authorities have to be alert to the need to maintain confidence in the global financial markets after last Friday's 7 per cent drop in the Dow.

In terms of valuation most of the world's stock markets are nowhere near as high as they were two years ago. The interest rate environment is generally more friendly and inflationary worries are subdued. Against this, the world economy is two years closer to a recession, corporate profit growth in several major economies is slowing down, and yield curves are inverted, which is often a sign of a coming recession. In normal times one could argue a reasonably convincing case for equities being either moderately higher, or moderately lower.

Although the events of the last few days give a sense of history repeating itself, this is almost sure to be proven wrong. The scale of this year's rally has surprised everyone and even after Friday's dramatic drop on Wall Street, the Dow is still 18¼ per cent up on the year, or roughly twice its average annual gain over the long-term. However, the real worry is less about the actual level of the market than events which could damage its liquidity.

This is not the first time, for example, that the end of the US takeover wave has been predicted and been proven wrong. But if perceptions really have changed and the bankers are increasingly reluctant to finance such leveraged deals, this has serious implications not only for the level of future corporate activity, which has fuelled much of the rise in US share prices, but also for the liquidity of the junk bond mutual funds which have invested so heavily in many of these deals. The authorities cannot forget past history lessons.

BA/UAL

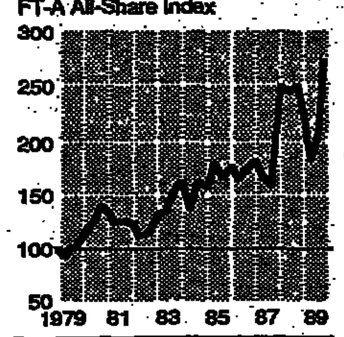
It must say something about the priorities of all those involved in the $6.8bn leveraged buy-out of UAL that it was some of the project's bankers who lost their nerve, rather than BA which was putting up the real risk capital. There are sound commercial reasons for BA's interest in cementing its ties with UAL, but behind all the hoop-la about the need to create a truly global airline, the sheer size of BA's financial gamble has been overlooked. BA was proposing to invest the equivalent of roughly a third of its own stock market capitalisation in a bunch of very funny UAL securities whose dividends were payment in kind of even more funny money. This is hardly a low risk investment.

The rosy optimism supporting the proposal to pay 18 times UAL's 1990 earnings is underlined in the UAL tender offer document. It projects steadily rising passenger yields, load factors and profits over the coming decade even though UAL's record has been highly erratic. The $19bn of planes on order will be leased, so future capital investment is minimal.

If only life was that simple. Maybe US airline profitability has changed for the better, but this still has to be tested by a recession. UAL no longer has any surplus fat, such as its hotel chains, which it can shed to bolster its financial position, and forecasting that a bunch of highly leveraged rival airlines like Pan Am, TWA and Texas Air will refrain from future savage fare wars to maintain traffic volumes is optimistic. Lets hope some of the bankers' new found conservatism about LBOs rubs off on BA's management. It should use the current hiatus to renegotiate a more favourable deal, or walk away from it.

Pearl Group

Share price relative to the FT-A All-Share Index



Beecham

The resignation last week of Beecham's erstwhile head of pharmaceuticals is not in itself evidence that the SmithKline Beecham merger is under strain. Staff disaffection is inevitable in mergers as in acquisitions; the drug industry's biggest previous merger, that of Ciba and Geigy in 1970, took seven years to settle down. But the incident is a reminder of how much SmithKline Beecham's shareholders must take on trust. Until full year figures for 1991 are published, the only real signs of progress will be how much Augmentin is growing and how much Tagamet's decline is slowing down.

The shares have outperformed the sector of late, partly because UK institutions seem to be increasing their weighting faster than US investors are reducing theirs. When this has settled down, support should come from the prospect of 20 per cent earnings growth for the next couple of years. But if there were any signs of the merger really being in trouble, none of that would apply.

Pearl Group

A little knowledge is a dangerous thing; some of the last fortnight's punditry about why AMP should pay more than £7 per share for Pearl has verged on the lethal. The waffle stems from the idea that you can firmly price a life assurance company with a magic formula called an appraisal value. The danger is that life companies will start cooking their books with variations on the idea.

Pearl is within its rights to have asked a consulting actuary to assess its worth. But even if it produces figures suggesting an appraisal value a long way north of the 450p or so at which Pearl's shares spent much of 1989, it does not follow that investors must reshape entirely the way they rate life shares.

Appraisal values come in many forms, but the contentious element is the attempt to find the present value of future *profits, including* some from life policies yet to be sold. But the idea is not new: Wood Mackenzie started publishing annual appraisal values for life companies in the 1960s. Sometimes they produce sure-fire stock-picking, sometimes not.

One problem is lack of data; you cannot pinpoint future earnings if you do not know how many customers will lapse their policies, or the tax-man's future stance. Appraisal techniques have excellent uses in flotations (like TSB's), in private takeovers with no public share price and for stock market analysts looking to assess a life insurers' future dividend-paying potential. But asking more than that is silly. There are other ways of showing that Pearl should fetch above £7.

SECTION III

FINANCIAL TIMES SURVEY

Allegations of collusion by the UDR with Protestant paramilitaries have soured relations with Dublin. For the new ministerial team in Belfast, led by Peter Brooke, security now dominates all issues. As **Hazel Duffy** reports, it is proving a baptism of fire

Rebuilding confidence

Northern Ireland

New way: businesses have welcomed the sale of Harland and Wolff shipyard as a welcome move towards a more viable economy

CONTENTS

NORTHERN Ireland is one of the most troubled, most isolated regions of western Europe. The IRA may have moved some of its deadly activities out of Belfast to the Continent of Europe and the mainland. But the price of relative peace in the commercial centre of Belfast is the continued presence of soldiers on the streets, and the patrols by an increasingly efficient, military-type police force in the Royal Ulster Constabulary.

Yet the apparent success in quietening the province, is now bringing political problems in its wake. The Ulster Defence Regiment, the mainly part-time force within the army structure, has provided the new Northern Ireland Secretary, Mr Peter Brooke, with his baptism of fire.

Leaked documents and allegations of collusion by the regiment with Protestant paramilitaries have soured relations with the Republic of Ireland at the very time the thrust of trade and economic policy in the European Community, allied to the existence of the Anglo-Irish Agreement, should have pushed them closer.

The issue has been around for some time. But its surfacing now underlines the continuing lack of confidence by the nationalists in security as reflected in the predominantly protestant UDR and RUC. Dublin sees itself as the protector of the nationalists in the north, but it has not been able to influence the implementation of security in the catholic areas of Belfast and Londonderry.

And so the barrier of the border between north and south is not softening, but hardening.

Security dominates. Any lingering opportunity that there might have been to strengthen the economies either side of the border, along the lines of the Benelux customs union many years ago, has been lost in the disturbances of the past 20 years. For Belfast and Dublin, the concept of 1992 is nothing to do with their own relations. Rather it is a question of their respective links with mainland Europe.

There are a few optimists who believe that 1992 will shake the border between Republic and province. Mr John Hume, leader of the SDLP and member of the European Parliament, predicts the impact will be dramatic. He talks about harmonisation on both sides of the border, and says that many of the divisions will have to go.

The new team of Northern Ireland ministers sees the border only in terms of security. The Republic is viewed as an economic competitor in many areas. Farming is particularly seen in this context. More recently, Dublin and Belfast have both set out to woo financial service companies from Britain and mainland Europe, and the east coast of the US.

Ironically, both have a similar resource which makes them stand out in the contest to attract international investors. The birth rate in Northern Ireland did not dip nearly as deeply as in Britain, in the years which are now reflected in the school-leaving population. The problem is knowing how to hold on to them.

That means jobs. Officially, unemployment has dropped in the province in line with the rest of the country. But many believe that the figures have in fact gone up in some of the most depressed parts of the province.

These would include areas like west Belfast, where a proportion of young people are so alienated from the formal structure of government in the province that their future is already wasted.

But it is not only sections of the nationalist population which feels so alienated. As the years multiply since the ill-fated attempt at power-sharing in Northern Ireland, the feeling grows that the extension of Westminster and Whitehall power to the province increases the gulf between government and governed.

The appointment of Mr Brooke by Mrs Thatcher in the reshuffle has confirmed that view for many. A decent and able man, he is nevertheless seen in the province as having been appointed to "hold on" until the next general election.

His officials try to portray the Northern Ireland job as "a testing ground" for politicians – Mr Brooke's predecessor, they argue, went on to head the Ministry of Defence, Mr Douglas Hurd to the Home Office. It is a London-based view to see the province as a political backwater.

Perhaps, but there can be few who believe that Mr Brooke was appointed to make an impression in the province.

For the historian, Anthony Stewart – better known to his readers as A.T.Q. Stewart – who in charting the history of Ulster in his books has "provided a rare insight into the mind of the Ulster Protestant" (Belfast Telegraph on the publication of "The Narrow Ground", which has recently been reprinted) it is "the state which has disappeared, dissolved. It has all been done very nicely and efficiently for the English, but I am full of trepidation about it."

He admits that many people are better off under direct rule. But, for him, and for many who profess the various Unionist views (although Dr Stewart is not a member of any political party), it is the unresolved question about the government of the province which matters most. In the vacuum, the fear is that the Anglo-Irish Agreement must mean that Britain intends at some stage to get out.

The decision by the Conservative Party to organise in Northern Ireland – which won overwhelmingly backing at the Tory party conference last week – might help to moderate this fear.

The anachronism of separate – and sectarian – political parties in the province has fostered the sense of isolation which is exploited by the extremists.

Moderates talk, hopefully, that the struggle, as perpetrated by the IRA, is perhaps being seen by some of its natural supporters as out-dated. The 20 years since the army went into Northern Ireland was a landmark for the IRA to ask itself whether it was any nearer its declared aim, as well as providing a gruesome anniversary for the British people to reflect on.

The actual anniversary passed with little event. The foreign press, dipping into the province for the first time for many years, was even accused of "manufacturing" incidents for the purpose of providing newsreels back home.

Talk of "glimmers of hope at the end of long tunnels", however, gives way to another round of despair when – as so often happens – the IRA perpetrates an atrocity like that in Kent. But there is talk of splits within the IRA, and frustration with a campaign that seems to be going nowhere. The professionalism of its terrorism, acknowledged by ministers in the province, might in time lead to a growing isolation from much of the nationalist community.

Life does, of course, go on. The centre of Belfast is resuming its former role as a solid, provincial city. Much of suburban Belfast and the wealthy hinterland have mostly escaped the troubles. This leads to the admirable determination that "business goes on as usual", but also a sense of eyes closed to the underlying tensions like that in prosperous parts of US cities where the threats posed by racial groups are conveniently overlooked.

Housing costs in the province are much lower than on the mainland. The spending power of those in work is higher. Out-of-town shopping centres are complementing the new centres going up in the middle of town, where the contents of new car parks display the same affluence as in the south of England. Once in the centre, there is no intrusion of the security searches which were obligatory a few years ago.

The Government gave notice of its intention to make the economy more independent of state hand-outs some time ago. It is interpreted in some quarters as an indicator of a far more significant silent plan to withdraw from the province.

The business community, however, mostly views the unloading to the private sector of the two big Belfast industrial companies, Harland and Wolff and Short Brothers, as a welcome move towards ultimately a more viable economy. The way in which electricity is to be privatised will be watched closely as a test of the Government's determination to make the economy more like that on the mainland.

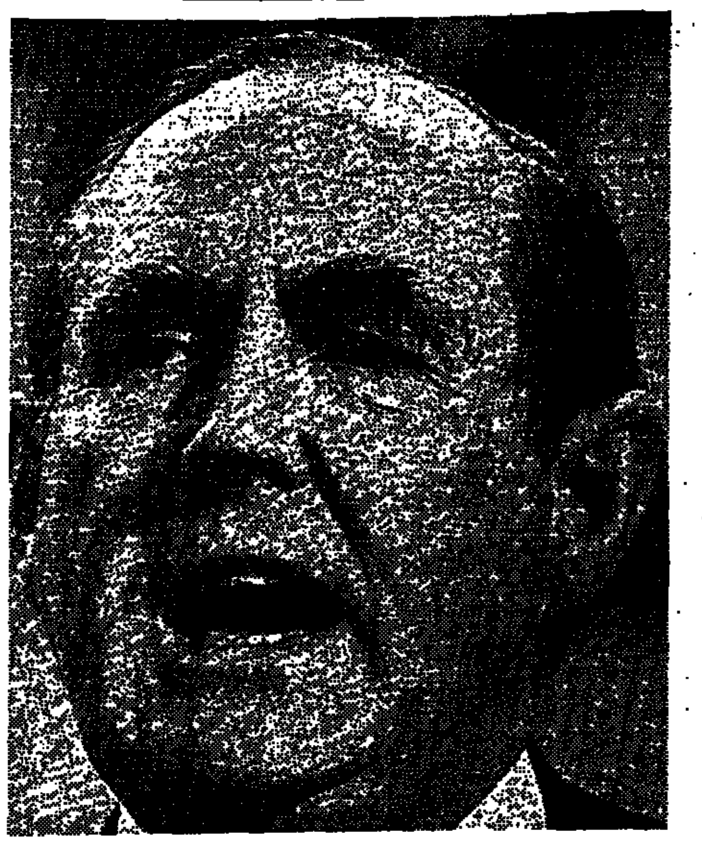
The decision by Montupet, the French car components maker, to put its UK base in Belfast, was particularly welcome. As yet, there has been no similar move by the Japanese to make Northern Ireland a base for Europe, at least not on the scale of their investments in other parts of the UK.

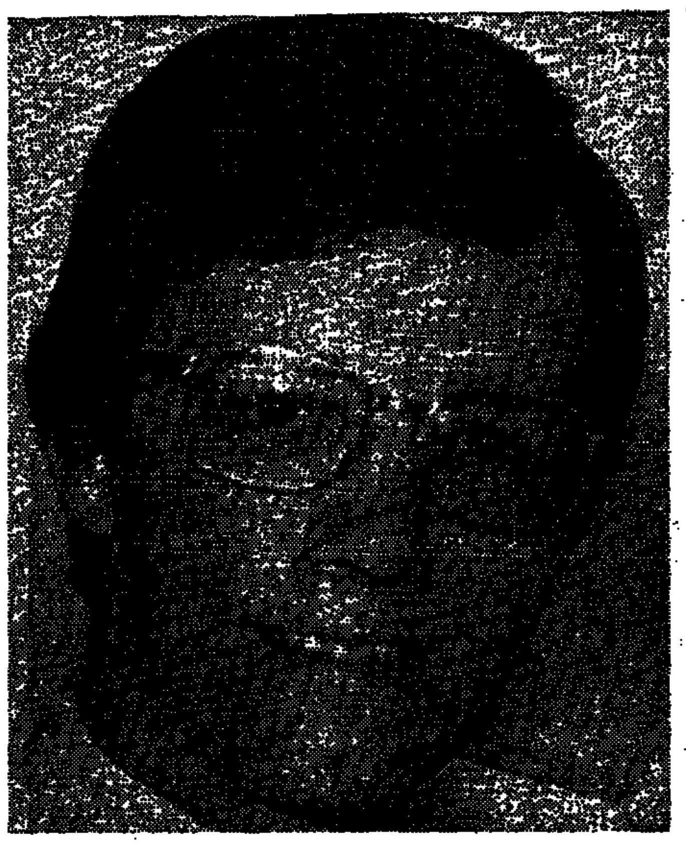
Some US companies, however, have seen the opportunities of linking with companies in the province to strengthen their position in Europe.

The entrepreneurial spirit so praised in Britain can be found in Northern Ireland. There are several examples of companies which have been built up from scratch. The founder is most likely a local, possibly somebody who has worked abroad, but recognises the potential that a good workforce can provide, and returns to set up business.

European funds have helped to expand the network of small business agencies, which work with the Government-funded Local Enterprise Development Unit (the small business equivalent of the Industrial Development Board).

Another significant development in the past year was the enactment of the Fair Employment legislation – less rigorous than some would have liked. In the US, several states have voted for the McBride principles which imply positive action on behalf of the minority – but seen by others as a needless bureaucratic intrusion. It will at least make it easier to monitor the success at breaking down sectarian barriers in employment.





Peter Brooke (left), on whom judgement is still awaited; Peter Robinson, viewed as the pretender to the Paisleyite DUP throne

Kieran Cooke on attempts to break the domestic deadlock

Few fresh brush strokes being applied to political make-up

DIGGING out the old political files on Northern Ireland can be a rather salutary experience. "Unionists reject new plan," "SDLP says nationalists isolated," "Government calls for new approach," are the headlines of 10 years ago.

So what has changed? The cynics would say very little. It is still a brave, perhaps foolish commentator who predicts any breakthrough in Northern Ireland's politics.

Yet the past year has had its moments. Early in the year came the revelation that a group of politicians from the Official Unionists, the Democratic Unionist Party and the mainly Roman Catholic Social Democratic and Labour Party had been holding secret talks at a venue in West Germany. Among those in attendance were such leading lights as Mr Peter Robinson, looked on as the pretender to the Paisleyite DUP throne, and Mr Austin Currie of the SDLP.

Possible ways to break the impasse on some form of power sharing government had been discussed at the meetings. A possible break in the workings on the Anglo-Irish agreement had been mentioned.

But when the story broke the political leaders quickly scurried back to their bunkers. There had been no breakthrough: it was all fanciful journalistic hyperbole. Mr Robinson was told to keep his head down.

Mr Currie later announced he was giving up on Northern Ireland politics and moved across the border to be promptly elected to the Dail, the parliament in Dublin.

There have been two elections and a reshuffle at the Northern Ireland Office in the past year. Again change but little change.

In local elections in May the Unionists, led by Mr Jim Molyneaux, were once again confirmed as the largest party in Northern Ireland, polling 32 per cent of the vote. But below them there were some interesting movements.

The SDLP, led by Mr John Hume, saw its vote rise to more than 20 per cent and it gained control in some important areas. Most significantly, Mr Ian Paisley's DUP saw its vote drop substantially to 17.8 per cent of the total. A widely predicted drop in the vote for Sinn Fein, the IRA's political wing, did not materialise, though the party did lose some support in rural areas. The vote for the moderate Alliance party stayed about the same.

Analysts were quick to predict cracks in loyalist political resolve. The drop in the DUP vote meant the end to the more extreme brand of unionism: Mr Paisley, the blustering verbal bomber of the province's politics for more than 20 years, was finally running out of steam.

While there is little doubt that many loyalists have grown rather weary of what is perceived as an often petty DUP campaign waged against the Anglo-Irish Agreement in Northern Ireland's council chambers, there is also little doubt that loyalist antagonism toward the Agreement is as strong as ever.

The "Ulster says No" banner on Belfast City Hall might be faded, but its message is as definite as it was four years ago when the Agreement was signed.

The idea of Mr Paisley taking an early political bath was quickly squashed in European elections in June. The DUP leader once again topped the poll, though with a reduced vote. Predictably Mr Hume was returned, and with his biggest ever vote, while the Unionists elected Mr Jim Nicholson, a quietly spoken farmer, as their new MEP.

In July came a change of regime at Stormont. Out went Mr Tom King, longest ever serving Secretary of State and a man who was commonly regarded to have grown into a solid and committed occupier of the most difficult of jobs. Mr King, when he took over the job in 1985, had committed a few gaffes. His successor, Mr Peter Brooke, has done the same. Worse, he chose to do so on the always inflammable subject of the Anglo-Irish Agreement.

Mr Brooke's minders were quick to deny any change in the position: London was as firmly committed as ever to the continuance of the Agreement. But such things create new uncertainties in a very uncertain political environment.

The people of Northern Ireland do not look kindly on their "blow in" rulers behind the fences of Stormont Castle. Mr Brooke's appointment is commonly seen as an example of a "muddling through" approach by Government.

The common perception is that Mrs Thatcher has run out of patience with Northern Ireland and is only interested in matters pertaining to security. Yet Mr King worked hard for change and fought many battles on Northern Ireland's behalf in London. Judgement will have to wait on the Brooke administration.

So much for the movement on the surface of Northern Ireland's politics. Down below things have been a little more interesting. Perhaps one of the most significant developments has been the growing campaign for the Tory party to organise in the province. The matter won overwhelming support at last week's Tory party conference. The decision is likely to have profound effects on the political character of the province.

At present the people of Northern Ireland are isolated within their own party system. The nationalist/loyalist, Catholic/Protestant divide is in many ways institutionalised within the existing party political framework within the province.

Mr Brendan Clifford, founder of a body called the Institute for Representative Government in Northern Ireland, has pointed to recent polls showing that more than 50 per cent of people in the province want to join the political mainstream and vote directly for the mainland political parties.

There is no politics in Northern Ireland says Mr Clifford. "The electoral alternatives are to vote Catholic or to vote Protestant." The Tory party's move to organise will add a new ingredient to the Northern Ireland political cocktail.

Looking in a very different direction, Dublin's politicians seem content to limit their influence in Northern Ireland's affairs strictly to within the workings of the Anglo-Irish Agreement.

Northern Ireland was hardly mentioned in the Republic's recent general election. Only two paragraphs were devoted to Northern Ireland in a 32 page document outlining the new Dublin Government's plans for the next four years.

Sinn Fein once again fielded candidates in the Republic's election. Once again it found the southern voter disinterested, certainly in its particular brand of politics. Sinn Fein failed to win any Dail seats and saw its vote drop from 1.8 per cent of the total vote in 1987 to 1.2 per cent in 1989.

Mr Hume insists that change is on the way: if Northern Ireland does not change itself then it will be forced to do so by the arrival of the single European market in 1992. Mr Hume feels Northern Ireland will then be forced onto the European stage: its problems will be diluted in this broader context.

But Northern Ireland has proved itself resilient to political change. Its political "old guard" is still in charge, a little older and more weary perhaps but there is a dearth of new talent in the ranks below.

There are likely to be more "talks about talks" and attempts at new initiatives. But for the time being at least, there is little sign of any fresh brush strokes being applied to Northern Ireland's political make-up.

State spending is a vital prop to the economy, writes **Hazel Duffy**

Symbols of confidence mask considerable vulnerability

CONSUMER spending and rising real incomes have instilled a new confidence in Northern Ireland business. It is particularly noticeable in the new shopping developments that are springing up, and in new leisure and recreation facilities.

Government backing, in the form of grants, has been an important element in creating private sector confidence. To date, there are only small signs that the private sector is willing to develop offices and industrial premises without substantial assurances that the public sector is behind them.

In spite of the symbols of confidence, the Northern Ireland economy is vulnerable. The main market of the province is the mainland. Faltering growth in the UK economy must have an impact on the fragile recovery from the recession of the early 1980s. To some extent, this has meant relying less on manufacturing. The recent growth years, however, have been good for some regions, particularly the West Midlands, precisely because it is manufacturing the goods which are in demand.

Manufacturing has declined in Northern Ireland, partly because international companies – mostly brought in with the help of government – rationalised at the expense of the province, and because local companies have not expanded as much as in other parts of the country.

But manufacturing is still an important component of the Northern Ireland economy for several reasons. Dr Graham Gudgin, director of the independent Northern Ireland Research Centre, believes that the future performance of the sector "will be of critical importance ... (it) is crucial to the prosperity of the province

Government backing, in the form of grants, has been an important element in creating private sector confidence

largely because it is the major source of export earnings and is a significant potential recipient of private sector capital inflows." The service sector, on the other hand, tends to depend more on local demand.

Between 1973-86 – the period covered by the research centre in a recent study – employment in manufacturing fell by 39 per cent with the loss of 66,000 jobs. Output also fell, by 19 per cent. This was a slightly poorer performance than for the rest of the UK.

More recently, employment in the sector has been stabilising. With a natural increase in the population and relatively high unemployment (15.2 per cent in August 1989), employment is a very relevant factor.

But manufacturing in Northern Ireland is proportionately smaller than in any UK region except the south-east of England, where there is a much higher presence in tradable services.

Manufacturing and agriculture "are probably capable of supporting a regional income at only half to two-thirds of the current level," says Dr Gudgin. The contraction of manufacturing has not been replaced by other sectors producing externally tradable goods. The province has become dependent on the public sector to support the current levels of employment and income.

One in four of all employees in Northern Ireland works in the health and social services, or in education services in the public sector. The growth of the public sector is an indirect consequence of direct rule by Westminster of the province since 1972.

Mr Arthur Luke, a director with Touche Ross management consultants in Belfast, says that the strong public sector should be used to reinforce development policies in the province. This has started to happen in a small way. For instance, the Government is moving social security jobs from the south-east of England to Northern Ireland. The Passport Office in Belfast is to be expanded.

But he also acknowledges that the comparatively large public sector, while providing basic stability, blunts the dynamism which is needed in the new entrepreneurial style of the UK.

He identifies two other weak strands: a lack of a substantial capability in Northern Ireland to generate internally the economic growth to alleviate problems; and the difficulty that the province has experienced in sharing fully in UK economic growth over the past few years.

On the other hand, he expects that the much higher level of general business confidence "will retain sufficient buoyancy to withstand, in the next couple of years, anything other than an actual recession in the wider economy."

Jim Flanagan on an efficiency drive likely to impress Whitehall

High-tech savings solution

A NEW high-tech approach to public spending control in Northern Ireland is producing remarkable results which are being closely monitored throughout Whitehall.

By developing a simple computer-based performance indicator, system managements right across the Northern Ireland civil service are making dramatic savings and pointing to significant benefits for the taxpayer.

Mr David Court knew when he came to Northern Ireland that his role would not make him a front runner for winning popularity contests. As director of the Government's Central Unit on Purchasing for Northern Ireland, CUP(NI), he was given a clear brief – review all leading purchasing strategies across all departments and promote savings.

The remit reflected Government policy of rooting out waste in public spending but it was an awesome task in a UK region where public expenditure annually runs to more than £5bn.

The unit was set up following a report by external consultants Purchasing Index UK Ltd, which reviewed the purchasing, contracts and supply functions of all Northern Ireland departments.

It also recommended the development of a common computer-based information management system with specific emphasis on purchase price monitoring and departmental cost comparisons.

By the autumn of 1987 Mr Court had identified the modules that would make up a comprehensive purchasing information system and within months had settled on a prototype produced by McDonnell Douglas and Belmin Systems, a software house in Somerset.

He is realistic on its limitations but enthusiastic about its capability to assist managers in making significant savings. "The system tries to unravel mountains of print-outs and present the information on easily understandable screens for key decision takers," says Mr Court.

"The system itself does not provide savings. That arises from action taken by staff on information available at the touch of a button."

Whitehall, sensitive to criticism that little has been done to boost more effective buying procedures, is monitoring the experiment

The new approach appears to be pointing the way to significant benefits for the taxpayer. Areas covered include the departments of Agriculture, Education, Environment, Finance and Personnel, Economic Development and Health and Social Services.

Last year the system produced savings of £17m across central government departments or 6.3 per cent of a total £269m spent on goods and services.

The introduction of a car scheme was a result of the central purchasing initiative. By analysing the mileage allowences costs of civil servants mangers quickly discovered that in many cases it would be more prudent to provide cars and a petrol allowance.

Mr Court says: "The criteria was simple. It was not a perk. Staff only got a car if it saved money. That innovation brought total savings of around £200,000 last year.

"We managed an overall saving of 6 per cent last year and the encouraging fact is that, so far, this year the level of saving has effectively doubled."

Another good example of the system's usefulness followed a review of photocopying costs for all central departments. By analysing contracts a new deal was negotiated which produced savings of more than £200,000 last year.

The system enables senior management to gain access to a wide variety of performance indicators. They show the relative spending patterns of certain key commodities across the various divisions of the public sector. Access is gained by personal codes and users are able only to review that information for which they have clearance.

Because it has been targetted for use by both members of the Northern Ireland Office ministerial team and professional purchasing officers, the service is easy to use and provides information in simple graphical display, highlighting areas for further investigation.

Last year the system was expanded to provide an online index of 4,500 Northern Ireland companies able to supply goods and services to the government. It enables purchasing officers to scan a variety of products and the costs involved.

Developments under way include online access to HMSO catalogues using free text retrieval methods of access, and the production of an integrated purchasing information system showing where goods and services may be purchased on the best terms.

There is an incentive for good cash management and prudent purchasing procedures. A general principle has been established that money saved will be made available for priority projects within departments.

The experiment is being carefully monitored by Whitehall, already sensitive to criticism that little has been done to provide for more effective purchasing procedures.

Earlier this year Mr Michael Heseltine, Conservative MP, said sophisticated mangement information system technology was essential if the Government's aim of reducing the size of the Civil Service and getting better value for money was to be achieved. Mr Heseltine is concerned that progress has been slow and has called for a Treasury minister to be appointed to oversee management information system developments.

Northern Ireland is a relatively small department in the context of overall UK Government expenditure, but the results are unlikely to be ignored.

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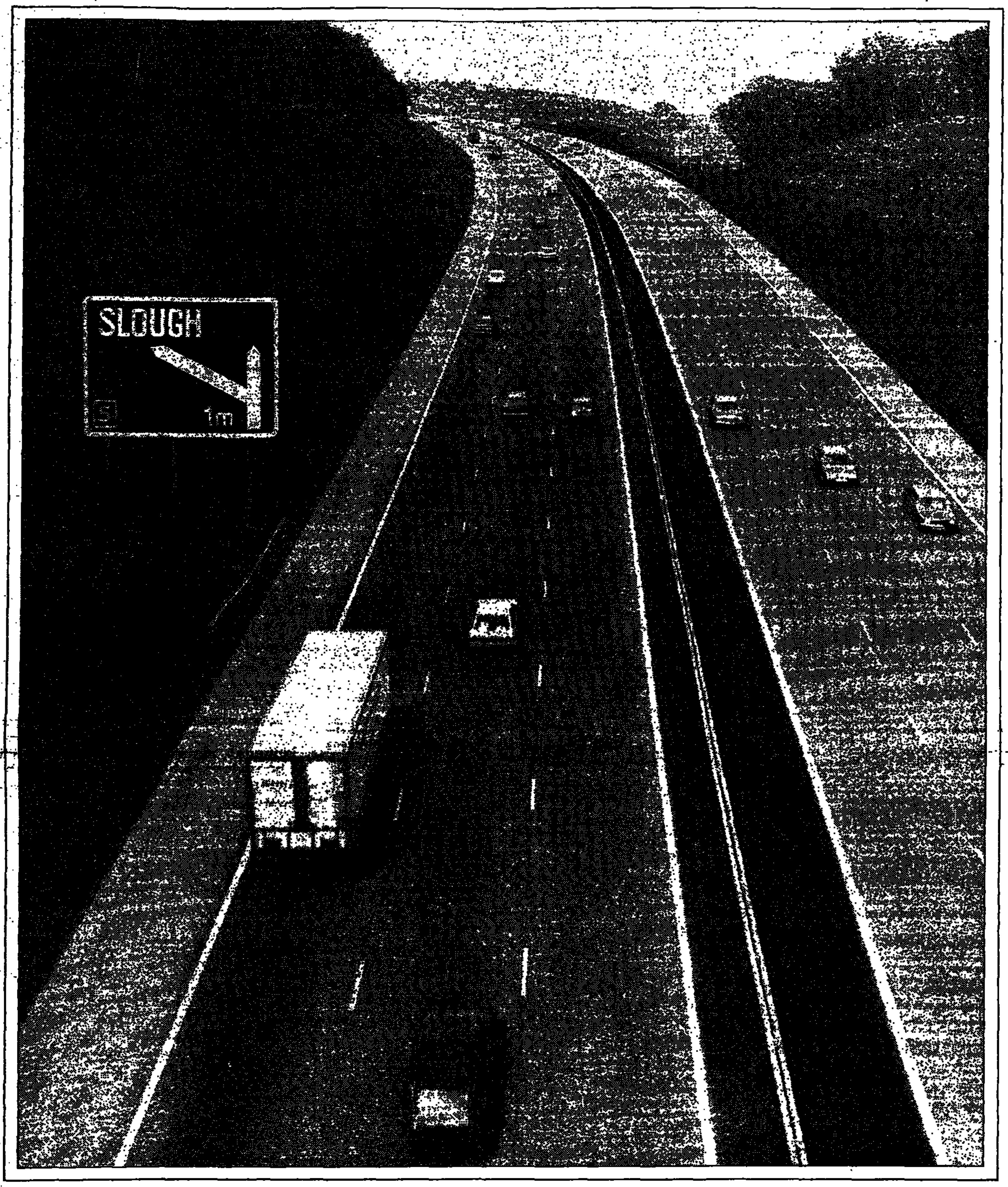

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FT writers examine, on this and the facing page, the province's leading industries and profile some private sector successes

SHORT BROTHERS

New life in the private sector

THE LUMBERING form of the Belfast freighter aircraft, a four-engined white elephant of the 1960s, still comes back to haunt Short Brothers as Northern Ireland's biggest industrial company starts a new life in the private sector, under Canadian owners.

The veteran freighters, bought back from the RAF by a transport company, are used these days to ferry wings to the Netherlands for assembly in Fokker airliners. Until the Tucano trainer, now being built, it was the last aircraft ordered from Shorts by the British Government: a gap of 25 years.

Shorts went ahead in 1960 on the basis of an expected requirement for 30 aircraft. But the order stopped at the original 10, leaving Shorts to carry the bulk of the development costs; the Government, as its shareholder, never relieved it of this debt burden.

Shorts never had much reason to be thankful for nationalisation. It was taken over in 1943 because of difficult relations with the Ministry for Aircraft Production. After years of Government failure to provide the capital it needed, this year's privatisation has been greeted with considerable relief.

The transfer to Montreal-based Bombardier, formally signed on October 4, came with a £750m net dowry from the British taxpayer. Against the sale price of £30m, the UK Government is providing £780m in grants, waived debt and interest-free credit. In the year to March 1988, before it was put up for sale (the last published results), Shorts had shown a loss of £142.5m, including exceptional write-offs, equivalent to 74 per cent of its turnover.

When the takeover was cleared by the Department of Trade and Industry, it was lumped together in the same announcement with another operation by a French undertaker. But Shorts sees its change of ownership not as a funeral but as a resurrection.

The Canadian group, which made its name in snowmobiles, branching out into fields ranging from trams to the Canadair aerospace company, has promised to keep Shorts' identity and to initiate a "major modernisation and re-equipment programme." Shorts, whose main facilities are still virtually unautomated, needs it.

Investment, running at an average of about £5m a year for the past five years, according to the company, is set to leap to about £200m in total over the next five.

Shorts still uses original buildings from 1937, when it first set up manufacturing in Belfast, then in a joint venture with the Harland and Wolff shipyard.

The two pillars of Northern Ireland industry rub shoulders on the eastern shore of Belfast Lough, next to the Shorts-operated Belfast City Airport.

Harland's decline has left Shorts, with its workforce of 7,300 and four main industrial sites in the Belfast area and in Newtownards, as the province's largest manufacturing employer.

Shorts concentrated its activities in Northern Ireland after the Second World War, leaving its Rochester, Kent, base. The company can claim to have been the world's first aircraft manufacturer, its title to that claim being a 1909 contract to build six biplanes for the Wright brothers. It designed and flew the first all-metal aircraft, and was a pioneer in flying-boats. After the Second World War, however, it turned to relying heavily on participation in other people's ventures, such as the Canberra bomber, the Comet and the Bristol Britannia.

Its quest for new products led it into aircraft research and into missiles in the late 1950s. In the 1960s and 1970s rugged, box-like Skyvan aircraft and shoulder-held Blowpipe missile established today's main product families.

Bombardier has promised to keep Shorts as an integrated design and manufacturing unit. It is committed to holding the shares for at least four years, and Shorts management is confident that the Canadian company is in for the long haul.

It makes a curious alliance: a company firmly rooted in Catholic French-speaking Canada, saviour of this stronghold of working-class Protestantism.

The link has forced Shorts to abandon the FJX twin-jet aircraft project it was working on, in favour of the Canadian group's RJ regional airliner. Shorts will make about 25 per cent of the airframe for the RJ, a stretched version of the current Challenger, allowing it to maintain the same overall balance between its main activities.

But Shorts is still having to take on a lot of changes in a short time, beginning with a recent switch from a centralised structure to five operating divisions.

Its civil aircraft division is a slight misnomer since it includes not only the 360 commuter transport aircraft, a descendant of the Skyvan, but also the Sherpa, military version of the Shorts 330 made to US requirements.

Military aircraft covers one product — the Brazilian-designed Tucano, chosen by the RAF in 1985 and largely re-made to accommodate a larger engine, at the cost of a year and a half's delay — and logistic support for military clients. Despite the hold-ups, the Tucano has orders from Kenya and Kuwait for 30 aircraft, in addition to the 130 being made for the RAF.

However, a large share of Shorts aeronautical engineering skills go into bits of other aircraft, grouped as "aerostructures." These include wings for the Fokker 100 airliner, rudders for the Boeing 737, wing flaps for the 757, landing-gear doors for the 747, and jet engine nacelles. The company also has a separate "manufacturing" division devoted to parts and increasingly geared to composite materials.

Finally, and less visible to outside eyes, there are defence systems, which apart from Shorland armoured cars, reflect Shorts' successful line in close-range guided weapons. Following Blowpipe and its Javelin derivative, a purpose-built facility at Castlereagh is being equipped for the Starstreak high-velocity air-defence weapon. The £225m development and initial production contract awarded three years ago was the biggest Shorts has ever won.

Security surrounding this activity has been further tightened following a small scandal over two technicians who were wooed away by South Africa.

Along with this reorganisation, changes have been under way for the workforce, the way it works and the way it is recruited. Almost 700 redundancies were announced in the summer, but management sees no immediate threat of further cuts.

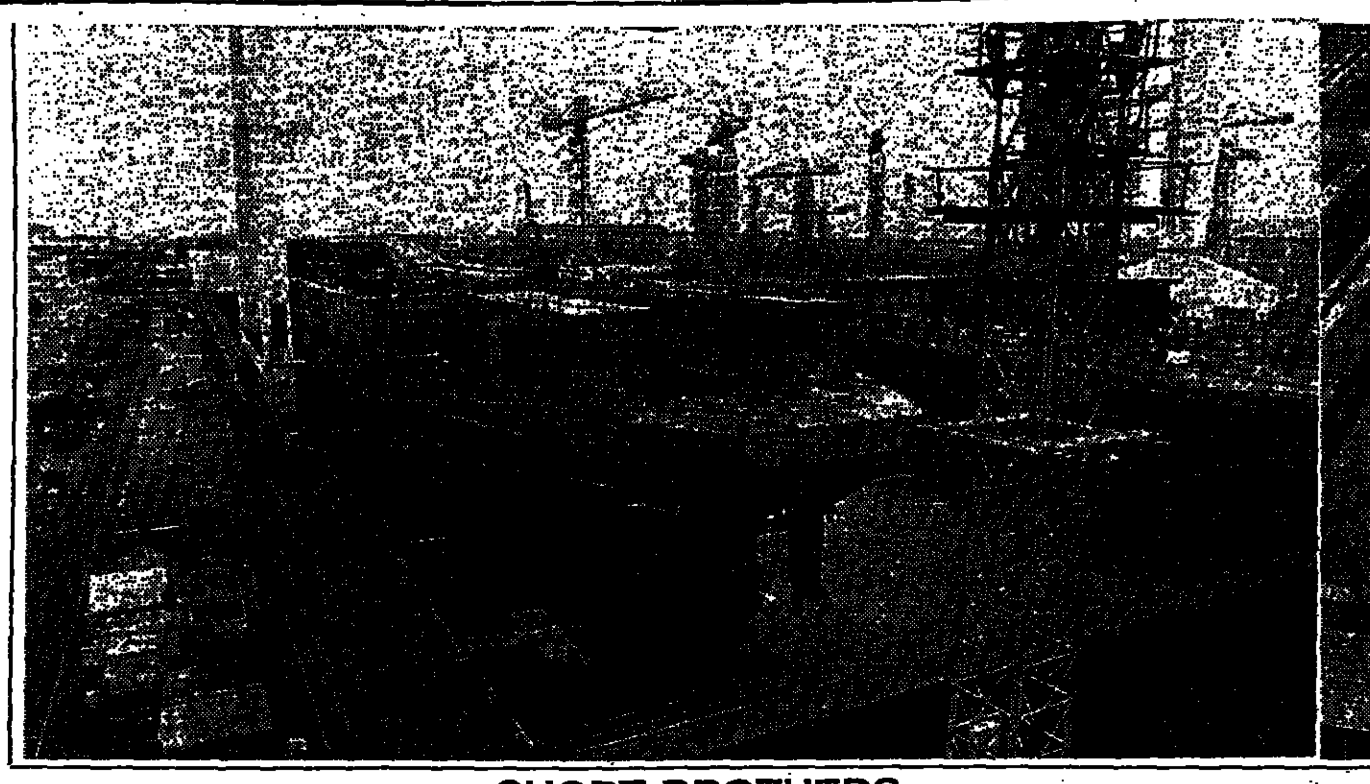
On the other hand, working practices, a source of considerable notoriety, are under review. A separate and flexible union agreement was worked for the Tucano, built by a separate unit, Shorts Light Aircraft (Shorlac), with a young and enthusiastic workforce.

Shorts' other reputation, as a Protestant bastion, is something on which the company used to be defensive. But it now believes it can be regarded as a pace-setter for other companies in Northern Ireland. In the wake of fair employment legislation in the 1970s, it says it has managed to increase the proportion of Catholics in its workforce from about 5 per cent to about 11 per cent, setting up a recruiting office in central Belfast and trying to project itself to Catholic schoolchildren.

Efforts to establish a "neutral working environment" have brought some spectacular clashes, with regular conflicts over orders to tear down Union flags and Loyalist emblems festooning the workshop walls. But in this year's summer marching period, the flag war was avoided for the first time.

These days just one Union flag flies, year round, on the mast above the main headquarters building. It is part of the the agreement. But there were new flags out, Canadian flags, in the aircraft assembly building when Shorts was formally handed over to its new owner, and nobody at Shorts was in a mood to object.

David White



Industry trends: Harland and Wolff (left) whose privatisation has been welcomed by the business sector and an engineer at the South Korean-owned Daewoo video plant in County Antrim

Profile: Perfecseal Nuprint

Export leader

NUPRINT Synthetics was set up by Mr Alan McClure in 1985. Today, turnover has reached £4m. All but five per cent of the company's output is exported.

It is one of those success stories which crop up in the province from time to time. It has worked because it has a good product — sterile medical packaging — in a growth market; it has good marketing; and it has a good workforce in Londonderry, a part of the province which needs companies that can provide jobs for well qualified people.

Mr McClure was a local boy. "I cut my teeth in Ireland, then Europe." Researching for a product idea, he discovered that Ireland was the 11th largest manufacturer of medical and pharmaceutical products in the world.

With the help of grants and guidance from the Local Enterprise Development Unit (LEDU), the province's small business organisation, he set up a company to package products for the industry. Quality was the main requirement in a business which is dealing with products that quite literally can mean life or death. Companies compete not so much on price but on the sterility of their packaging. Over 40 per cent of recalls in the industry are because of poor packaging.

Mr McClure's European experience stood him in good stead. His first customer was in Ireland, but his second was in Belgium. With the company up and running, he was approached by Paper Manufacturers of Philadelphia, which was looking for a European base.

"We were a small company which suddenly found support to finance growth. If they had not come along, somewhere down the line I think my bank manager and I were going to have an awkward meeting."

The outcome of the joint US/Northern Ireland venture, Perfecseal Nuprint, was able to expand quickly, and it emerged as a more structured company.

It is "top heavy with managers" who were recruited "from a fair bit of Ireland." Most had worked in medical device companies. They understood the business. Mr McClure testifies to the fact that there is no difficulty in recruiting good people in this part of the world. "You can get graduates applying for quality inspection jobs," so anxious are they to get a foot on the ladder.

Government support for enterprise, like he received, is vital to the business future of the province Mr McClure believes. Spreading the gospel on exporting and marketing are just as important.

Much praise, then, for North West Marketing, which has been set up in Londonderry with the support of the Industrial Development Board, a civic group which includes the council and the International Fund for Ireland.

Mr Willie McKeown is chief executive of the new company. Its aim is to help business help itself by making it more conscious of the benefits of marketing. As a first step, he plans to put 20 marketing/business graduates into local industry. They will receive formal training in conjunction with Magee College in the city. Their progress will be monitored weekly by Mr McKeown in a manner which will develop their skills, and, it is hoped, encourage the companies with which they are placed to take them on as marketing managers.

Hazel Duffy

CONSTRUCTION

Reality behind the busy façade

A VISITOR returning to Belfast after several years could be forgiven for thinking he had arrived in another city.

All around he would notice the new shopping precincts, refurbished office blocks and multi-storey car parks that symbolise the city's commercial revival.

Using Belfast's relatively new West Link road network to venture a little further from the city centre, he would see the neat new public housing estates built as part of an ongoing programme of urban renewal.

It appears the province's construction industry has been busy. The reality, however, is that construction output and employment has merely undergone a modest recovery since 1986 when the industry was in a state of deep crisis.

A report prepared three years ago by the Federation of Building and Civil Engineering Contractors in the province showed output and employment dropping rapidly and public expenditure on construction cut to a much greater degree than in the rest of the UK.

Since then, all sectors, with the possible exception of civil engineering, have seen an increase in demand with new work emanating from the private commercial and industrial sectors.

The growth in private sector demand has replaced some of the lost public sector construction programme, which has been reduced in accordance with government policy on capital expenditure.

Turnover in the Northern Ireland construction industry now stands at about £1.5bn a year, representing some 20 per cent of the province's gross domestic product.

About 35,000 are employed in the industry's 2,500 construction companies. The turnover breakdown is estimated at £750m public spending, £500m private commercial and £250m private housing.

In recent years the private house building sector in the province has seen record levels of output with around 6,000 new homes completed each year.

There are signs, however, that demand is slowing and this year the level of completions is expected to fall and may continue to decline for the next few years.

Policy over public sector housing, which is the responsibility of the Northern Ireland Housing Executive, has seen a distinct change in emphasis. The executive has reduced its programme of new starts to concentrate on improving and rehabilitation of existing stock.

This policy is set to continue as the executive does not foresee any immediate increase in their planned level of starts of some 1,200 units a year for the next two to three years.

The battle to win public authority housing contracts is intense and competition among companies fierce. A director of a small building company said: "I would say competition is tougher than ever. With so many companies vying for work, one is faced with the dilemma of quoting a realistic price allowing for a modest profit margin or pitching deliberately low to fend off competitors. There is no room for error."

The general contracting sector has benefited from the majority of the increased demand from private, commercial and industrial projects. In addition, the pump-priming effect of urban development grants have helped the regeneration of Belfast city centre while the Laganside Project, a multi-million pound initiative, has revitalised the city's river basin.

Proposed cross-harbour bridges are expected to provide further opportunities for Northern Ireland based construction companies.

A recent announcement of a grant of almost £500m from the European Community, as part of its revision of structural funds, will mean increased expenditure on infrastructure, and in particular transportation schemes throughout the province. The aim is to improve the effects of Northern Ireland's peripheral geographic location in relation to the rest of the EC.

The Federation of Building and Civil Engineering Contractors is playing an active role in assessing the implications for the industry of the Single European Market in 1992.

In particular, the new Construction Products directive will have a profound effect on all aspects of building and construction in the EC. This directive sets out the ground rules to be met for the standards applied to construction products to be used in the Community. Member states have until June 1991 to implement the directive by national legislation.

Quality assurance is also becoming increasingly important as government policy gradually introduces this element in both construction products and through third party certification of construction companies who are able to guarantee the standard of work provided.

The federation in Northern Ireland is currently preparing a manual in order to advise members on how to achieve quality assurance in accordance with BS5750, which is the standard for quality assurance systems in the construction industry.

More controversially, the federation has also begun to tackle the problem of so-called "cowboy" builders and the poor image created by them in the industry.

It has launched a "building guarantee scheme (Northern Ireland)" which allows those builders which are approved by the scheme to offer a guarantee on their work for up to two and a half years.

The latest quarterly state of trade survey published by the federation shows that work remains stable with increased activity predicted. While the number of companies reporting increased activity dropped slightly in the quarter to August, more than 20 per cent more than in the previous quarter said they were working at the same level.

Output remained steady and the survey also showed an 8 per cent increase in those companies expecting to be operating at almost full capacity in the months ahead.

The construction industry has also suffered, like many other sectors, from the continued terrorist campaign. Contractors and employees of companies have been murdered by the IRA for carrying out work on security force bases and some companies have had to hand over money to paramilitary organisations to enable them to continue the work in certain areas.

For some smaller operators, the demands made by criminal elements have made it impossible to pursue contracts. Where extortion and intimidation has been proven the Northern Ireland courts have dealt severely with offenders.

Jim Flanagan

AGRICULTURE

Ominous warnings in the wind

AFTER the mildest winter in living memory and the best summer in 16 years, one would expect an atmosphere of *autumnal contentment on the* farmlands of Ulster. But there are ominous warnings in the wind for the province's multi-million pound industry.

According to the Northern Ireland Economic Council, the much respected watchdog body, the Government could be handling farming better and farmers themselves could be doing more to sell their produce.

Highlighting the changes under way in an industry which gives employment to more 60,000 people and produces an annual gross output in excess of £800m, the Economic Council paints a picture of change for the future.

And it suggests that to cope with these changes, Northern Ireland needs to develop a "clear perspective on the needs of and opportunities for all of its rural society." However, there is, it adds, "little indication this is happening."

On the role of government, it states: "Policy on agriculture in Northern Ireland often appears to be formulated separately from policies on the rest of the economy. Co-ordination at a policy level between Government departments which have responsibilities which impinges upon agriculture seems limited."

The Economic Council warns too of the "negative consequences" which could arise from the probable concentration of the food processing industry and distribution sector.

"At the moment only four or five of the top European Community-based food companies are present in all the five largest EC national markets while about half are present in only one or two countries. Major consolidation is already under way and a reduction in the number of buyers of farm produce in particular locations is probable."

According to an influential group, the province needs to develop a 'clear perspective on the needs of and opportunities for all of its rural society'

The council states that retailing is likely to become even more dominated by the multiples with farmers having fewer potential buyers for either processing or retailing. Farmers' bargaining power will be reduced, it adds.

"As the market becomes more concentrated these difficulties could intensify," it warns.

The council believes it is in the area of food processing and marketing that the European Single Market in 1992 will have its most immediate impact.

Other concerns include the occasional failure of the industry to produce adequate supplies of consistently high quality product lines, particularly lamb and vegetables.

Employment in Northern Ireland agriculture has remained remarkably stable over the past six or seven years compared to other regions of the UK.

The past year has, however, proved to be a fair one for Ulster's farmers. Earnings increased by 6 per cent, boosting farmers' income to an estimated £120m, the second *highest* level in real terms during the past 10 years.

According to the Department of Agriculture's Statistical Review, while input costs rose by more than producer prices the effect of this was more than offset by a 3 per cent fall in the use of inputs. The volume of agricultural output was virtually the same as the previous year with higher marketings of sheep and lambs, poultry meat, cereals and horticulture crops being balanced by lower sales of milk pigmeat, eggs and potatoes.

A rise in the average dressed carcass weight of cattle compensated for a fall in the number sold for slaughter or export.

And the average of all prices received by farmers for their produce is estimated to have increased by 3 per cent resulting in a corresponding rise in the value of gross output from £779m to £820m.

Prices for feeding stuffs and imported cattle were higher than in 1987 as were machinery maintenance and operating costs. The effect of these unit cost increases and a rise in the importations of store cattle were partly neutralised by lower purchases of fedding stuffs, fertilisers and lime.

Interest payments on farmers' borrowings for agricultural purposes in 1988 are forecast to have risen by 4 per cent to £29.1m because of the rise in interest rates in the second half of the year.

On the other hand, wage costs, including an imputed cost for family workers, are estimated to have fallen by 2 per cent to £71.8m with a drop in the number of workers more than offsetting a rise in average earnings.

Capital investment decreased by 8 per cent. Buildings and works capital formation are expected to have declined by more than 20 per cent following the closure of several government-funded agricultural schemes.

Investment in plant, machinery and vehicles increased by 22 per cent, and tractor registrations by 13 per cent.

'Without doubt we are living through the last days of end-price support and must prepare ourselves for total dependence on the commercial market'

Agricultural census returns revealed there were 3 per cent fewer dairy cows but 5 per cent more beef animals in the province last year. But the total cattle breeding herd remained virtually unchanged. There was a further significant increase in sheep numbers which passed the 2m mark for the first time.

The number of holdings and farm businesses in Northern Ireland decreased by less than 1 per cent and while fewer farmes were classified as dairying, mixed *and cropping*, there were more in the categories devoted to beef cattle, sheep and horticulture.

According to Mr John Millar, chairman of the province's Livestock Marketing Commission, 1988 was a year which produced unsatisfactory returns for farmers feeding winter cattle.

"This has accentuated our seasonality of production and made it difficult to trade with supermarkets who want beef supplied to them 52 weeks a year," he says.

"Without doubt we are living through the last days of end-price support and must prepare ourselves for total dependence on the commercial market where to achieve the best prices, we will have to add much more value to our production and make it competitive and attractive in the retail and niche outlets in Europe.

"This will not be easy for our *meat plants which have had a* difficult time in recent years with insufficient livestock to enable them to trade profitably," he adds.

Whether or not Mr Peter Bottomley MP, who was given responsibility for agriculture in the province in last summer's cabinet reshuffle, will help sustain the lot of farmers remains to be seen.

Michael Drake

Profile: F.G. Wilson

Family flexibility

Tom Wilson, chief executive (front), brother Gordon, sales director (left) and Mike Antonis, business development director

MR TOM Wilson, managing director of Belfast engineering company F.G. Wilson, is fairly typical of the families who own and manage some of the province's most successful companies.

There is no need to go public when the Ulster Bank provides the company with all the necessary banking facilities. And the Industrial Development Board has helped with marketing and research and development. The Board was also a great help to the company when it moved into its current building in 1986.

Mr Tom Wilson is chief executive. The company was set up by his father, Mr Fred Wilson, chairman, who is now running another part of the group that has developed a range of double deck trailers. Two other sons are senior executives. But family is no guarantee of seniority. There are other Wilsons in the company who have not made it to the top.

Generating sets and power systems are the mainstay of the business. It makes more than 5,000 generating sets a year, mostly upwards of 200 kV. It makes standard sets, produced on an automotive type drag chain production line, and custom-made.

"Our advantage over bigger companies is that we can make decisions quickly. We have total flexibility. It would not matter what the business opportunity was, we would look at it. We would make anything with a diesel engine," says Mr Andrew Wilson (not family), an engineer who joined the founder of the company *shortly after it was* set up, and went on to become financial director.

The bulk of the engines are bought in from Perkins and Detroit Diesel. They have to be shipped in, the final product shipped out. But location is not seen as a problem. The company has its own transport fleet.

And it is is highly export-oriented. Originally, it looked to Britain. "But it was difficult," says Mr Tom Wilson, "so we went further." By 1983, it was the source for 10 per cent of the UK's generating set exports. And now it is running at 40 per cent.

The Irish Sea is just one stretch of water among many when exporting to 115 countries, and markets as diverse as the Middle East, Italy and the US.

The Wilsons learned the hard way about exporting, however. Initially, it was heavily concentrated in Iraq. But the market collapsed. Now the strategy is diversified markets, and maintaining an edge with technological developments in order to increase market share.

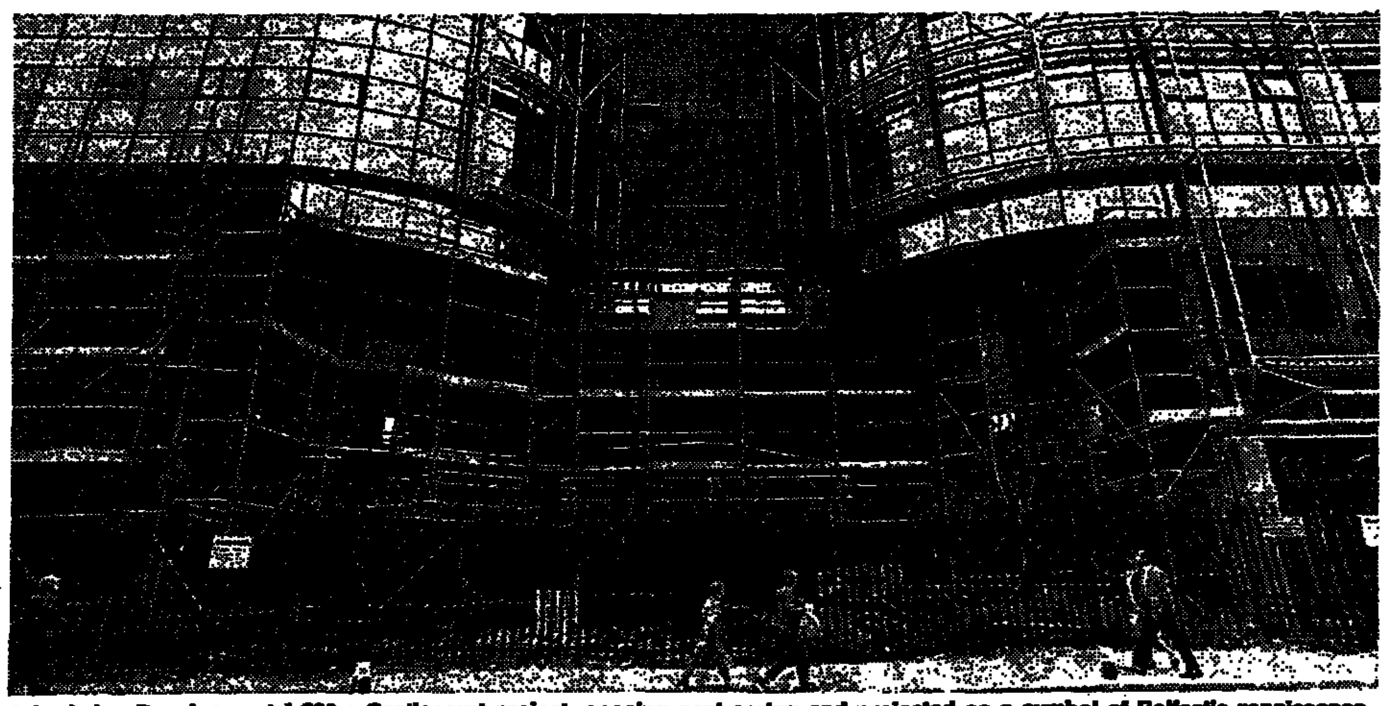
F.G. Wilson employs 400. About 10 per cent are graduates, mostly in engineering. It has its own training facilities. Such companies are important for the continuation of the engineering tradition in Belfast, particularly since the transfer of Short Brothers and Harland and Wolff to the private sector has put a question mark over their future size and training capabilities.

The company is not unionised, and admits to paying rates for skilled labour which are lower than some competitors pay. Nevertheless, it has *no problem in attracting good* staff.

Hazel Duffy

PROPERTY

A lop-sided market



John Laing Developments' £60m Castlecourt project, opening next spring and projected as a symbol of Belfast's renaissance

THE special conditions of Northern Ireland have ensured that the local property market has a rhythm of its own. To be sure, it has had its own surge in values like the rest of the country, but they have been largely confined to the retail sector.

The dead hand of what the Irish call "The Troubles" has effectively scared off institutional investment. The lack of economic momentum as Northern Ireland lags behind other British regions in seeking a substitute for troubled traditional industries has been a brake on the office and industrial sectors. The importance of the public sector has made the Government a silent but pervasive player in the market.

All of these different factors crystallise in John Laing Developments' £60m Castlecourt project, opening next spring and freely projected as a symbol of Belfast's renaissance. It is, of course, of vital importance in extending the narrow geographical confines of the city centre and in providing a commercial and environmental stimulus.

But the project, 325,000 sq ft of retail space and 175,000 sq ft of office space, has double comfort from the Government, in the form of an urban development grant and, probably more importantly, a commitment to lease the office space.

For large projects, it seems clear, the private sector does not yet have the confidence in the political, security and economic advance of Northern Ireland to act wholly independently.

The Government appears to understand this very well. Mr Richard Needham, a junior minister at the Northern Ireland Office, recently unveiled the plans of Ewart, the biggest indigenous property developer in the region, for a 210,000 sq ft office complex.

These plans are the largest of their kind in Ireland, north and south. Ewart hopes that the complex will attract companies and official bodies relocating from the other side of the Irish Sea. But, given the security situation, the advantages of Belfast over Scottish centres, Newcastle, Leeds, Cardiff and so on for the private sector do not appear overwhelming.

Effectively, then Ewart is relying on the Government relocating more offices from London. Mr Needham's presence to bless what is seen as a project of regeneration seemed to mark an alliance of thinking on the topic.

In the industrial sector, the most significant player remains the Industrial Development Board, an official body with a battery of grants and incentives at its command.

None of this is to suggest that nothing happens in Northern Ireland, but it is to convey that the market is lop-sided. What has happened is that, led by the retail sector, some confidence has filtered back into the market.

This confidence has been created by the retailers themselves. Their own search for fresh outlets took them out of the mainland from the mid-1980s onwards. It led first of all to the extension and renovation in Belfast of existing premises – Marks & Spencer, for example – and latterly to a readiness to pay substantial premiums for lease acquisitions shops – Waterstones and Etam, for example.

The centre of this activity has been Belfast, but then Belfast is the main focus of the Northern Ireland property market. Retail rents have been driving upwards and have reached £140 Zone A in the prime pitches like Donegall Place. But these rents are not strictly comparable with England, as in Northern Ireland Zone A covers the first 25 feet from the front of shop and not the first 20 feet as in England.

There has also been some steady investment activity from property companies, running through from Land Securities' purchase of a shopping centre at Newtownards, County Down, to the more recent acquisition by Carroll Group of a shopping centre at Ballymena: total space of 175,000 sq ft for more than £7m, a modest price compared with what would have been paid in England for a comparable centre.

Office developments, save for the plans of Ewart and John Laing Developments and a scheme drawn up by Brookmount, *before its takeover by* Ford-Sellar Morris, for 110,000 sq ft near the Europa Hotel, have generally been on a modest scale. There has been little evidence of the development enthusiasm recently observed in English regional centres.

Although the cost basis is wholly different, Belfast rents have not been such as to send the developers rushing for sites. In the city centre they have now reached £8.50 a sq ft, but this is the lowest of any British regional centre.

Industrial rents in a city where economic decline has created extensive empty space are less than £2.00 a sq ft, rising towards £3.00 in an Enterprise Zone and £4.00 where there is a relatively high office content.

The industrial and retail sectors meet at the point of warehousing, the stronger the retail revival the stronger the demand for warehousing is *likely to be. But higher interest* rates have their effect in Northern Ireland just as well as on the mainland.

Paul Cheeseright

LAGANSIDE INITIATIVE

Catalyst for change

TWO YEARS ago the hinterland of a one and half mile stretch of the River Lagan meandering through Belfast city centre was synonymous with urban decay, business withdrawal and pollution.

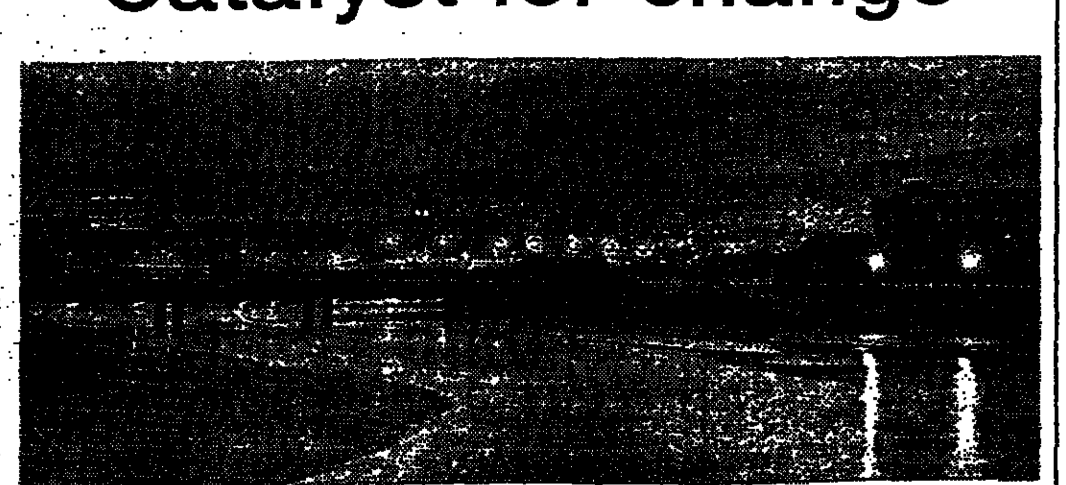
Today that same area offers an investment opportunity of up to £700m, the prospect of 5,000 new jobs and vision of a thriving port environment on a par with any city in Western Europe.

The catalyst for change has been the Government's Laganside initiative which has attracted interest from investors based in Northern Ireland and Great Britain.

Laganside Ltd, formed by the Department of the Environment to promote the regeneration of Belfast's waterfront, handed over control of the project to the new Laganside Corporation earlier this year. Its main task is to create an effective partnership between the public and private sectors and turn meticulous planning into tangible results.

The corporation's first annual review this year highlighted achievements to date and outlined plans for nine prime sites of between one and 60 acres.

Two sites have already been released for development. A three acre area, known as the McCausland site, has been released to Aero Properties, a private developer. The £18m project, chosen from a list of six submissions, will comprise 150,000 sq ft of offices, 15,000 sq ft of ground floor retail, a 650 space multi-storey car park and 24 flats. But that is just the beginning.



The mudflats of the River Lagan, soon to disappear as part of the Laganside development

Possible developments on the other sites include a marina backed by riverside flats, a maritime museum, a 200-bed hotel, concert hall, leisure facilities, and a gateway centre where visitors to Northern Ireland could learn something of what the province has to offer.

Deloitte, Haskins and Sells have also completed a feasibility study for a European trade centre which could be set up as a base for European trading operations in preparation for the introduction of the Single Market in 1992.

One of this year's more significant developments was the appointment of Mr George Mackey, former head of the Local Enterprise Development Unit (LEDU), Northern Ireland's small business agency, as chief executive of Laganside Corporation. Mr Mackey has a blend of involvement with private industry and *detailed knowledge of the* private sector which should help Laganside reach its full potential.

Already the Government has given firm commitment to a £60m investment programme designed to improve both the infrastructure and the local environment. The city council, Belfast Harbour commissioners and the Northern Ireland Housing Executive, who between them own more than 80 per cent of Laganside's 120 acres, have all been keen to co-operate in the venture.

A Laganside Community Environmental Project involving local groups has also been *set up* partly to promote a sense of caring for the environment, and improve the employability of local people through training and work experience. The aim is to ensure they can compete effectively for the jobs which will result from Laganside.

Jim Flanagan

The province's textile sector has escaped many of the closures hitting other areas of the industry in Britain, writes Alice **Rawsthorn**

Beset by twin problems of poor demand and rising imports

A FEW weeks ago the builders and building tools that have cluttered up the ground around Herdmans at Sion Mills in County Tyrone was cleared away as the company prepared for the official opening of its new linen mill.

The £17m mill marks a watershed in Herdmans's history. The mill has been equipped with the modern, flexible machinery needed to compete against the giant Italian linen groups in the international marketplace.

Last year when Herdmans finalised its plans, the mill was seen as a symbol of the new, expansionist mood of the Northern Ireland textile industry. Herdmans, and other local textile companies, had emerged from the dark days of the early 1980s with a new confidence. The Sion Mills project was one of a long line of textile investment programmes in Northern Ireland during the year.

This year the mood of the industry is more subdued. Some companies – including the linen mills, which compete in the international marketplace – are still faring well. But the carpet and clothing companies that dominate Northern Ireland textiles have been beset by the parallel problems of dwindling demand and increasing imports.

So far Northern Ireland has emerged relatively unscathed from the painful cuts and closures that are affecting so many areas of textiles in Britain. Yet there are already reports of short-time working at some Northern Ireland companies and the flow of applications for investment grants into the Industrial Development Board (IDB) is slowing down.

Textiles has been a mainstay of the Northern Ireland economy for over a century. The industry traces its origins to the linen mills built in the early 1800s to process the flax grown in rural areas.

The industry hit its heyday during the American Civil War when the Lancashire cotton mills were starved of raw materials by the northern blockade of the southern ports. It was then that clothing factories sprang up alongside the linen mills to turn the linen into shirts and sheets.

Today textiles and clothing employ around 29,000 people in Northern Ireland, or three out of every 10 people employed in manufacturing. Linen is still an important sector, but the industry is now dominated by the production of carpets, shirts and lingerie.

Although there are still hundreds of family-owned companies, ownership is largely concentrated in the hands of large groups. Courtaulds alone employs 1,500 people at its Northern Ireland textile plants. Coats Viyella operates a large carpet factory at Donaghadee and several shirt plants. Lamont Holdings is also a significant player in the carpet sector.

The preponderance of large companies means that a large proportion of the clothing industry's output goes to the giant multiple retail groups – Marks and Spencer and the Storehouse chains – in Britain. This means that the emphasis in the industry is on exploiting the economies of scale inherent in volume production.

There are obvious disadvantages for a large textile group to operate in Northern Ireland. Terrorism is the greatest threat. Five years ago a Courtaulds clothing factory in Armagh was destroyed by the IRA. Courtaulds received grants to pay for a new plant but by the time it opened most of the original workforce – and customers – had moved to other companies.

Distribution also poses a problem. It tends to be more expensive to ship goods to British retailers from Northern Ireland than from Scotland or Wales. If there is a dock strike or stoppage, companies sometimes have to move goods by air at extra expense.

Yet there are also advantages. The long tradition of textile production means that there is a legacy of skills among the workforce and an established infrastructure of textile finishing and processing plants.

The availability of IDB grants – which provide roughly 25 per cent of the cost of expansion or reinvestment programmes – is also an incentive, although most companies are insistent that they would not commit themselves to a project unless it made commercial sense without the grant. One chairman described the grants as "compensation" for the problems of operating in Northern Ireland.

The UK textile industry is currently struggling against intensely competitive conditions. The combination of increasing imports and sluggish spending – depressed by higher interest rates – has imposed pressure on output and profitability.

Short-time working and redundancies have become commonplace in some sectors of the industry. The Northern Ireland companies have been affected, albeit to a lesser extent than their British counterparts.

The clothing companies have been hit by the increase in imports. There has been some cost cutting. Most companies have shed labour through natural wastage, but there have been some redundancies. Courtaulds was forced to make 20 people redundant at its Meridian Knitwear plant in Armagh this June.

Similarly there is some short-time working in the carpet industry, which has suffered from the impact of higher interest rates on the housing market and on disposable incomes. But Northern Ireland companies have again suffered to a lesser extent than those in other regions. Coats has closed its carpet plant in Yorkshire to concentrate all production at Donaghadee.

The mood of the Northern Ireland industry is far from optimistic. But, as Mr Lawson McDonald, director of the IDB textile and clothing division, said: "It would be wrong to say there is a mood of pessimism. We have had a good run for the last three or four years. Things may be tougher now, but the industry can cope."

Troubled times: there are already reports of short-time working at some textile plants

TELECOMMUNICATIONS

The rich rewards of STAR status

NORTHERN Ireland is on the verge of a telecommunications revolution which will give the province important technological edge for the European Single Market in 1992.

As the only UK region participating in the European Community's programme of Special Telecommunications for Regional Development (Star), the potential for local business expansion is huge.

Created by the EC Commission three years ago the programme targets certain less favoured regions – currently Greece, Italy, the Republic of Ireland, Spain, Portugal, France and Northern Ireland – with the aim of strengthening economic bases, fostering job creation and raising technological standards. Mr Tom King, the former Northern Ireland Secretary, has compared the initiative to the advent of the steamship and aeroplane.

In Northern Ireland British Telecom is integrating the Star measures into an expanded programme costing around £100m over the next three years. BT Northern Ireland was chosen by the Department of Economic Development to implement the programme in the face of competition from Mercury.

Star attracted an award of £7.25m from the European Regional Development Fund, which will be used towards the cost of developing an optical fibre telecommunications network within the province and fibre optic links to Great Britain and the Republic of Ireland offering access to advanced communications and European databases.

It will make distance irrelevant to business activity and, according to BT, shift Northern Ireland from the edge of Europe into becoming a key bridgehead between Europe and the United States.

Mr Doug Riley, BT Northern Ireland's chief executive, is in no doubt about the potential for growth, especially among small to medium-sized businesses. "They will find themselves able to compete with Europe and the rest of the world on a better than equal basis via one of the world's most advanced voice and data networks," he says.

"Their contribution to our partnership with the Department and the EC will be in terms of imaginative ideas and entrepreneurial skills to capitalise on our high-tech lead."

Developments in telecommunications have already brought much needed jobs to the province this year. Standard Telephones and Cables, the UK information and communications group, is creating 200 jobs at its factory near Belfast. The centre will be a telecommunications "think-tank" staffed by graduates working on innovative products.

BS Northern Ireland is providing a further 200 jobs in the province in a high-tech answer to the boom in London's directory inquiries. Ulster operators will be taking calls from specially selected telephone exchanges in a £1m a year boost to the local economy. It is a good example of how modern computer technology can shrink distance and provide work in areas far removed from where a service is required.

While the province already has an advanced BE network, Star will provide further benefits earlier than expected. Fibre optic technology represents the future for quality, high-speed communications with hair-thin fibres of purest glass able to transmit vast quantities of information on laser light pulses at phenomenal speeds.

It is ideal for delivering large amounts of uncorrupted computer data, high definition television, two-way video and will facilitate practical developments such as home shopping.

Benefits for the province will include:

- Significant reductions in the real cost of non-voice services; for example, a single A4 sheet or graphic will fax in around five seconds, slashing the communications bill for large volumes of data
- special digital equipment at 44 locations throughout Northern Ireland will allow advanced communications from a single telephone
- small businesses will be able to benefit from advanced communications accessed by using existing terminals or personal computers
- simultaneous voice and high-speed data transmission will be available to business in all areas of the province using the latest equipment
- provision of specially switched transmissions down ordinary telephone lines from computer to computer, previously available to only large businesses able to afford dedicated private circuits
- extension of advanced data facilities into remote areas of Northern Ireland which would not be available purely on commercial grounds.

The potential for job creation in high growth computing based industries in the province could run to many thousands but it will depend on how Ulster companies respond to the challenge.

The physical work of putting the Star infrastructure in place will be phased in over the next 18 months. Mr Riley says the ball is firmly in the court of the province's entrepreneurs. His own company has already been persuaded to base a software centre in Belfast employing 150 graduates.

Mr King does not feel the comparison with the steamship and aeroplane overstates the position. "What fibre optics throughout Northern Ireland will do for communications is eliminate distance altogether. The challenge for us now is how to use this for the benefit of all."

Jim Flanagan

ENERGY

A year of taking the rough with the smooth

EARLIER this year Northern Ireland's 590,000 electricity consumers took a lot of convincing that a general price increase had nothing to do with the proposed privatisation of the industry.

Northern Ireland Electricity, the public utility, announced a record operating profit of $57.4m, the third year in succession that a government subsidy was not needed to keep tariffs in line with the highest prices in England and Wales.

A 20 per cent drop in the price of oil, on which the province remains heavily dependent, helped produce the record performance, yet domestic consumers had to contend with a 7.5 per cent increase while industrial and commercial customers faced an average 11.9 per cent rise.

NIE pointed out that prices rose within the framework of the tariff link with Great Britain and that for years the Government had poured millions of pounds into Ulster's electricity industry when fuel prices were high. It was a case of taking the rough with the smooth but that did not stop the trade unions claiming the local industry was being fattened for private enterprise.

Dr Roelof Schierbeek, NIE chairman, had been unequivocal about privatisation stressing that, whatever the future shape of the industry, the consequences should not be detrimental to the Northern Ireland economy.

Since the Government's decision in principle was announced, NIE had appointed its own consultants to investigate the implications. While privatisation is the key long term issue affecting the industry, more immediate concern focuses on meeting electricity demand, currently growing at around three per cent a year.

In this respect the wheel has turned full circle for the industry with the decision to expand conventional oil and coal firing plant at Kilroot power station near Carrickfergus. Kilroot, Ulster's most modern power station, was completed in 1982 and was designed as a 1,200MW plant consisting of four 300MW oil-fired units.

Huge oil price increases in the 1970s meant only two units were installed and they have been converted to dual coal and oil firing. Because of the large capital investment at Kilroot it was decided to complete the other two units as coal and oil firing plant at a cost of around $150m.

But a commissioning date has yet to be finalised, an issue NIE is keen to settle in order to safeguard continuity of supply from 1994 onwards.

For a region which has historically lacked indigenous fuel supplies the discovery of lignite or brown coal in vast quantities in County Antrim was a significant breakthrough. Although the Government decided against exploiting the resource, it will now undoubtedly be needed before the turn of the century. It is no secret that NIE has maintained studies of the viability of lignite-fired generation to determine the best site for future generation.

Last year also saw the closure of town gas supplies in Northern Ireland after more than 160 years of continuous supply. Research has shown that 80 per cent of the gas cooking market switched to electricity helping to increase sales by 2.4 per cent.

The electricity industry has also led the way in the area of fair employment, setting up a special equal opportunity unit. In advance of legislation making religious monitoring compulsory for most companies, NIE undertook a survey of employees and the unit has been given the job of improving performance in the field of providing equal opportunities in employment.

The demise of the gas industry benefitted suppliers of alternative fuels with coal gaining most from the change. Cheaper oil prices increased demand for oil-fired central heating in the province but many home owners opted for coal-oil linkage systems.

The Northern Ireland Coal Advisory Service's annual report for 1987-88 showed a drop in coal sales for the first time in seven years. An exceptionally mild winter played a part as well as increased competition from other sources of fuel.

Nevertheless Northern Ireland remains the best domestic market for coal in the UK. Around 71 per cent of homes in the province use coal for main heating compared to about 15 per cent in Britain. It means that more than 20 per cent of domestic coal sales are in Northern Ireland which has less than 3 per cent of the UK population.

Jim Flanagan

FAIR EMPLOYMENT

New legislation designed to appease nationalist fears

JOBS, or the lack of them, has been one of the issues at the centre of "The Troubles" in Northern Ireland for the past 20 years.

The picture is still not a bright one. The unemployment rate in Northern Ireland continues to be the highest in the UK. The number out of work has been dropping but in June more than 15 per cent were jobless. More dramatically, in some areas of Londonderry and West Belfast, unemployment is more than 70 per cent.

Surveys have consistently shown that unemployment is likely to be considerably worse in nationalist working class areas. A commonly used guideline to the situation is that Roman Catholics males are two and a half times as likely to be unemployed compared to their Protestant counterparts.

Critics says the new law is dispensing with the criteria of merit in favour of criteria based on religious and political views

In further efforts to counter such socially damaging problems, a new Fair Employment Bill was unveiled at the end of last year and, after more than 100 amendments, was finally passed into law in late July.

The new law reinforces existing rules against religious discrimination; it forces companies to monitor the religious composition of their workforces and to abide by a code of conduct. Those failing to follow such procedures face having lucrative public contracts and grants withdrawn and in some case hefty fines.

The new legislation also sets up a Fair Employment Commission in place of the old Fair Employment Agency, with considerable more powers of investigation.

To some, the new legislation is a retrograde step. Mr Peter Robinson of the Democratic Unionist Party said that the only result would be further divisions in the workplace. Speaking during a Commons debate, Mr Robinson said the legislation purported to be in favour of fair employment but in reality it was dispensing with the criteria of merit in favour of criteria based on religious and political views.

The Labour Party was meanwhile disappointed that the powers of the new law were not more extensive. The Government feels the new legislation goes a long way towards appeasing nationalist fears about job selection while stopping short of instituting a system of positive and, in some cases, reverse discrimination.

Mr Tom King, the previous Northern Ireland Secretary of State, and other ministers, had denied that outside pressure had led to the new law being introduced. In Dublin, the view is somewhat different. There, it is felt that pressure brought by Irish officials through the workings of the Anglo-Irish Agreement was one of the key factors in the introduction of the Fair Employment Bill.

Perhaps more significant was pressure being mounted in the United States. In the 1980s a highly vocal and well-organised Irish-American lobby has been waging a campaign against what it sees as discrimination against Roman Catholics in Northern Ireland.

Individual states in the US have been persuaded to adopt the "MacBride Principles", a code which makes investment in Northern Ireland conditional on acceptance of such things as increased Roman Catholic participation in workforces and managerial and administrative posts being set aside for Roman Catholics.

The Government has argued that the "MacBride Principles" represent positive discrimination and would be counter-productive if introduced. Early this year Mr King went on a special trip to the US to argue the Government's case and spell out what he felt was the rigorous religious monitoring that Northern Ireland's companies will have to implement under the new legislation. However, it seems the campaign in the US is continuing.

These are obviously early days and the effect of the new law will not be seen for some time. But at the centre of the question is the need for new jobs.

The Northern Ireland Office, the Industrial Development Board, and other agencies have done much to promote a new range of job opportunities. But in many ways Northern Ireland has missed out on the boom and the growth in employment levels that has taken place over recent years in other regions of the UK.

Many feel the unemployment figures would be worse were it not for the rapid rise recently in various employment schemes, many of which, say critics, are only aimed at creating short term or part-time jobs. Unemployment figures also do not take directly into account the considerable level of emigration from Northern Ireland in recent years. "You can't have fair employment if you don't have jobs in the first place," said one unemployed man in Londonderry.

Companies failing to follow the rules face having lucrative public contracts and grants withdrawn and in some case hefty fines

Kieran Cooke

In spite of the rise in employment schemes, the unemployment rate in Northern Ireland continues to be the highest in the UK

LEGAL PROFESSION

Leaning on the Bar

IN POPULAR Ulster mythology, local lawyers, along with demolition contractors, builders, glaziers and sundry other professionals are widely believed to be reaping rich profits from the continuing conflict.

In reality, at least as far as lawyers are concerned, the suggestion is unfair. However, the enduring belief is at least partly responsible for the dramatic increase in the numbers of lawyers practising in Northern Ireland.

Before the outbreak of the current violence two decades ago, there were no more than 60 barristers, 36 of them juniors, in Belfast's centralised Bar Library. Today, there are around 300, upwards of 40 of whom are senior counsel.

According to Mr Michael Davey, secretary of the Northern Ireland Law Society, there are now 1,150 solicitors in Ulster, a figure double the statistic of a decade ago and probably treble that of the 1960s. Two thirds of today's solicitors are said to be under 35 years of age, a significant pointer in itself.

"A lot of criminal work is troubles related and on the civil side a large amount is related to compensation for personal injuries and property damage arising from the current situation," says Mr Davey. "But I think it fair to say that in general this is not the way most solicitors would like their practices to expand."

Accusations are sometimes made that "The Troubles" are good for business and in the short term there may be something in it for some, he adds. "But in the long term an expanding economy and overall growth in prosperity would obviously be preferable."

Mr Davey's views are echoed by other legal professionals, who point out that continuing political instability down the years has been a big factor in hampering inward investment and the growth of the lucrative commercial work which local solicitors might have expected.

Certainly, in explaining the expansion of the profession in Ulster, factors other than the endemic violence are also relevant, one of the most vital being the introduction in the 1960s of a comprehensive legal aid system in Northern Ireland, which opened the way for increased litigation.

Currently most terrorist trails are legally aided. One of the major "supergrass" trials of the early 1980s, involving 38 defendants, ran for 121 days. The case, which ended in the release of most of the defendants on appeal, cost the taxpayer £1.25m.

While that case was exceptional, Northern Ireland's legal bill has increased yearly, meriting the personal attention of the Lord Chancellor, Lord MacKay. During a brief visit to Belfast last year, he noted that the 1988 bill for legal aid would be around £12.5m compared with £2.7m in 1979.

The prevailing criminal legal aid scheme in Northern Ireland was "anachronistic", declared Lord MacKay, adding that proposals to bring the system into line with the current English scheme were being considered. Both the Law Society and the Bar Council oppose such a change, which will certainly mean a big fee reduction.

The boom in legal aid is of course another indication of the overall expansion in legal services. But both the Law Society and the Bar Council are aware that saturation point has probably been reached.

As a result, a growing number of newly-qualified lawyers are now prepared to look elsewhere for employment. According to Mr Fergus McCartan, a Belfast solicitor who opened Northern Ireland's only legal services agency four years ago, while most placements are local, increasing numbers of young lawyers are interested in making a career in Britain and beyond.

Currently, there is also a sharpened awareness that lawyers are no more immune from the direct effects of local violence than any other profession. To date, five members of the judiciary have been killed by terrorists, while unsuccessful attempts have been made to murder several others.

In February this year, Mr Patrick Finucane, a Belfast solicitor who had frequently appeared as a defence lawyer in terrorist cases, was shot dead in front of his wife and children.

The loyalist group which admitted responsibility claimed that he was an IRA sympathiser. Despite the previous murders of judges and magistrates, the killing of a solicitor came as a shock to the profession.

Both the Bar and the Law Society united in denouncing the murder. As Mr Davey of the Law Society points out: "There was widespread shock throughout the profession. In a civilised society people are entitled to be defended by criminal lawyers but that doesn't mean of course that the lawyer condones the crime."

Mr Paddy McGrory, probably Northern Ireland's most experienced criminal defence solicitor, agrees. After representing relatives of the IRA trio killed in Gibraltar, he was threatened by the same loyalist organisation which killed Mr Finucane. Without rancour, he points out that in the past he has represented both loyalists and republican para-military members in trials.

In fact, regardless of their individual political leanings, Ulster solicitors and barristers involved in criminal work regard it as a point of honour and a matter of professional ethics to appear for anyone who asks for representation, in spite of the fact that, in doing so, they may place their personal safety in jeopardy.

Yet, in spite of the very real problems confronting both branches of the legal profession in Northern Ireland, both the Bar and the Law Society remain optimistic about the future.

"Although financial opportunities for lawyers may seem to be better on average elsewhere," says Mr Davey, "it certainly is still possible to be successful here. At the top in Northern Ireland the quality of advocacy is second to none, as some visiting lawyers have found to their cost."

In spite of the increase in the number of practitioners over the past 20 years, the traditional structure of the average legal practice has changed little. Most solicitors firms remain relatively small, with a broad-based work range. Similarly, there is no highly developed London-style specialisation at the Bar.

As recent responses to the Lord Chancellor's proposals for reform make clear, this situation is unlikely to change. While aware of the need to face increased commercialism, both branches of the profession do not favour radical overhauls, or the invasion of the legal arena by what they view as "market-value" philosophy.

Certainly, there is little dissent from the cautionary words of Northern Ireland's Lord Chief Justice, Sir Brian Hutton, who earlier this year reminded the Lord Chancellor that his proposals must always be "subordinate to the doing of justice itself."

John Hunter

Boon for business: the troubles have been a factor in the expansion of the legal profession

INNER-CITY RENEWAL

Welcome lift for Londonderry

MR PADDY Doherty, 63 years old, ex-building foreman, is an important man in Londonderry (Derry as it is called by everybody locally). He was the initiator of the Derry Inner City Trust back in 1979, when the city presented a sad mixture of dereliction by IRA bombs and poor 1960s planning.

Large-scale re-building was not on the agenda. But Mr Doherty, mindful of the effects of physical renewal on Belfast, which was one of the pilot cities for the attentions of the European Regional Development Fund, wanted to see Derry have a chance.

He was not interested in purely physical renewal. His plan was to provide jobs and skills for young unemployed people in Derry, sporting activities, facilities for the disabled, and to improve the environment overall. His aim was to regenerate the city.

"If people are not given the opportunity to participate, their emotions are blunted by apathy," says Mr Doherty. He shows an audio-visual in the Trust's offices which recalls the history of the city. His commentary lingers on the injustices of the long distant and more recent past, perpetrated by both sides of the sectarian divide.

The trustees include the Roman Catholic Bishop of Derry, the Church of Ireland bishop, and a non-conformist minister, as well as eminent local people.

Mr Doherty was active in the civil rights movement in Londonderry in the late 1960s. He has plenty of first-hand knowledge of the troubles which have spilled over into his current work. The Heritage Library, so lovingly restored by the Derry Inner City Trust four years ago, fell victim to an IRA bomb attack less than a year later.

But he remains an optimist. He proudly shows off the new "craft village" which was opened recently. But his boldest venture was the castle built near the walls in the north-east of the city on the remains of an ancient fort.

Mr Doherty tells his guests about how he tracked down the owner of the site in London and offered him £1. Planning permission was finally given and the building painstakingly re-created. The plan is that it will lead, historically and physically, to a tiny mediaeval village, a tourist trail in a city which is not naturally on the itinerary.

The improvement of the environment is high on the Londonderry agenda. Mr Richard Needham, minister for the economy, is credited by some as responsible for "putting the buzz back into Belfast". He wants to do the same for Londonderry.

In 1988-89, urban development grants totalling £1m were paid out by the Government in the city, which generated £2.5m private investment. To date, however, the programme has tended to be untargetted. This is where Mr Needham's efforts will be most needed.

Hopes now are pinned on a new town centre. The Environment Department is buying up sites. The council hopes that it can find the financial backing and developers in Boston.

Jobs are the prime requirement in Londonderry. Sixty five per cent of the population is aged 35 or under, against 58 per cent for Northern Ireland as a whole. Many are well educated. The response to an advertisement for marketing and business graduates placed by North West Marketing was almost embarrassing.

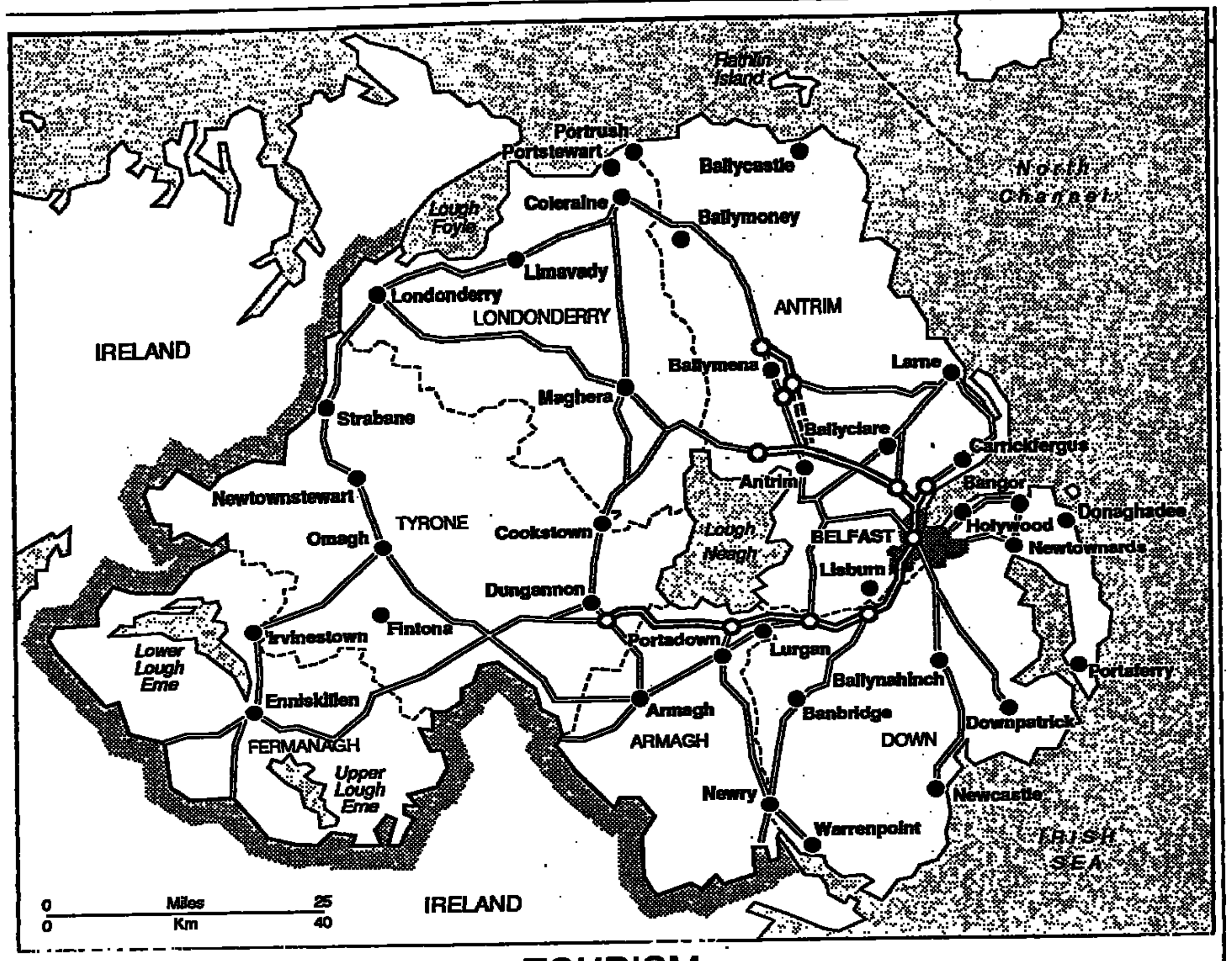
The Derry Inner City Trust is the best-known example of the way in which some in the city are trying to breach the barriers of divide – which has become more entrenched since 1968 – and high unemployment.

The Noribic Business Innovation Centre is another. Mr Colm Cavanagh, chief executive, projects optimism for the future of his city which is infectious. Sponsors of the centre, set up to help entrepreneurs and promote exporting technology-driven companies, include the European Commission and many leading banks and manufacturers.

But the business community in Northern Ireland has lagged behind that in Britain in the sense of working with local authorities and government to promote a better future for their city. Strong community leaders need the active backing of local employers.

Londonderry, its physical and human scars all too evident, calls for much stronger leadership which can make the different communities co-operate. The sad fact about the city is that it is because the communities cannot co-operate, except on the most superficial level, that the leaders do not emerge.

Hazel Duffy



TOURISM

Troubles fail to staunch a continuing flow of visitors

ABOUT 150,000 tourists will take a holiday in Northern Ireland next year and spend about £100m supporting one of the fastest growing sectors of the local economy.

Not bad for a country synonymous with civil unrest and terrorism rather than pleasant tourist attractions and breathtaking natural scenery.

Yet in spite of dramatic growth in both numbers of visitors and revenue, the industry is about to experience the most radical changes in more than 50 years.

A target has been set – an increase of 70 per cent in the total number of tourists over the next five years to 1.6m by 1994. This is an ambitious plan by any country's standards but particularly for a region which has the weakest tourism sector in the UK.

In 1987 only 1.57 per cent of gross domestic product in Northern Ireland was generated by tourism compared with 4.23 per cent in Great Britain and 5.03 per cent in the Republic of Ireland.

In terms of employment, it has been estimated that only 0.9 per cent of civil employment in the province is related to tourism compared to 4.7 per cent in Great Britain and 6.2 per cent in the Republic.

While outstanding natural scenery, top class recreational and leisure facilities and lashings of good old-fashioned Ulster hospitality are powerful selling agents, the new target set by a Government tourism review group will require a significant effort from everyone connected with the industry.

Yet more visitors than ever are coming to Northern Ireland to "see for themselves", a trend local tourism leaders are happy to encourage.

"Getting visitors to the province is half the battle. They have read and heard so much about the problems that tourism hardly rates a mention. But just one day rambling in the Mountain of Mourne or hiking in the Glens of Antrim can wipe away years of prejudice. They just keep coming back for more," said one hotelier.

This theme is reflected in the Department of Economic Development's report "Tourism in Northern Ireland – A view to the Future" which was prepared by the review group and which charts the way ahead for the industry.

It states: "Those who have reason to visit know the reality but, for those who have never been here, the issue of violence must be addressed to overcome their reflective recoil from even considering Northern Ireland as a holiday destination."

To achieve the sort of targets which the Government has set, the entire industry is gearing up for change. The most fundamental will be the abolition of the Northern Ireland Tourist Board and its incorporation into a new body to be known as the Northern Ireland Development Organisation.

This new body, responsible in the words of Mr Peter Viggers, the province's Industry Minister, for a "renewed drive to develop the tourism potential of Northern Ireland", will have responsibility for both marketing and product development.

It will bring together the present promotional role of the NITB and the grant aiding functions of the Department of Economic Development's tourism branch.

In common with other sectors the name of the game will be on providing value for money. The new strategy will see the replacement of the present grant schemes for the development of accommodation, amenities and hire cruisers with a single scheme of selective financial assistance using criteria similar to those applying to manufacturing industry.

Such serious surgery has overshadowed another excellent year for the tourism industry in 1988. Following a series of terrorist outrages, which attracted international attention, officials feared a 7 per cent fall but in the event 930,000 came to Northern Ireland, just 1 per cent down on 1987, which was the best year since 1970.

And in the category which provides most room for growth – people who visit Ulster for a holiday as opposed to visiting friends or relatives or coming on business – there was a 7 per cent increase. A total of 125,000 came purely to enjoy a holiday and of those more came from Great Britain.

The numbers crossing the Irish Sea jumped by 29 per cent to 21,500 and in Scotland, where the tourist board was particularly active, the increase was 31 per cent.

Holidaymakers from the Republic rose by 1.5 per cent to 61,000. There was a 10 per cent increase to 15,000 in the number of visitors from Europe and the number of tourists for North America rose by 5 per cent to 19,000.

Overall the increase from Europe, including visits to friends and business trips, was 19 per cent and from Australia 10 per cent, but there was an 8 per cent fall in the total number of visitors from North America.

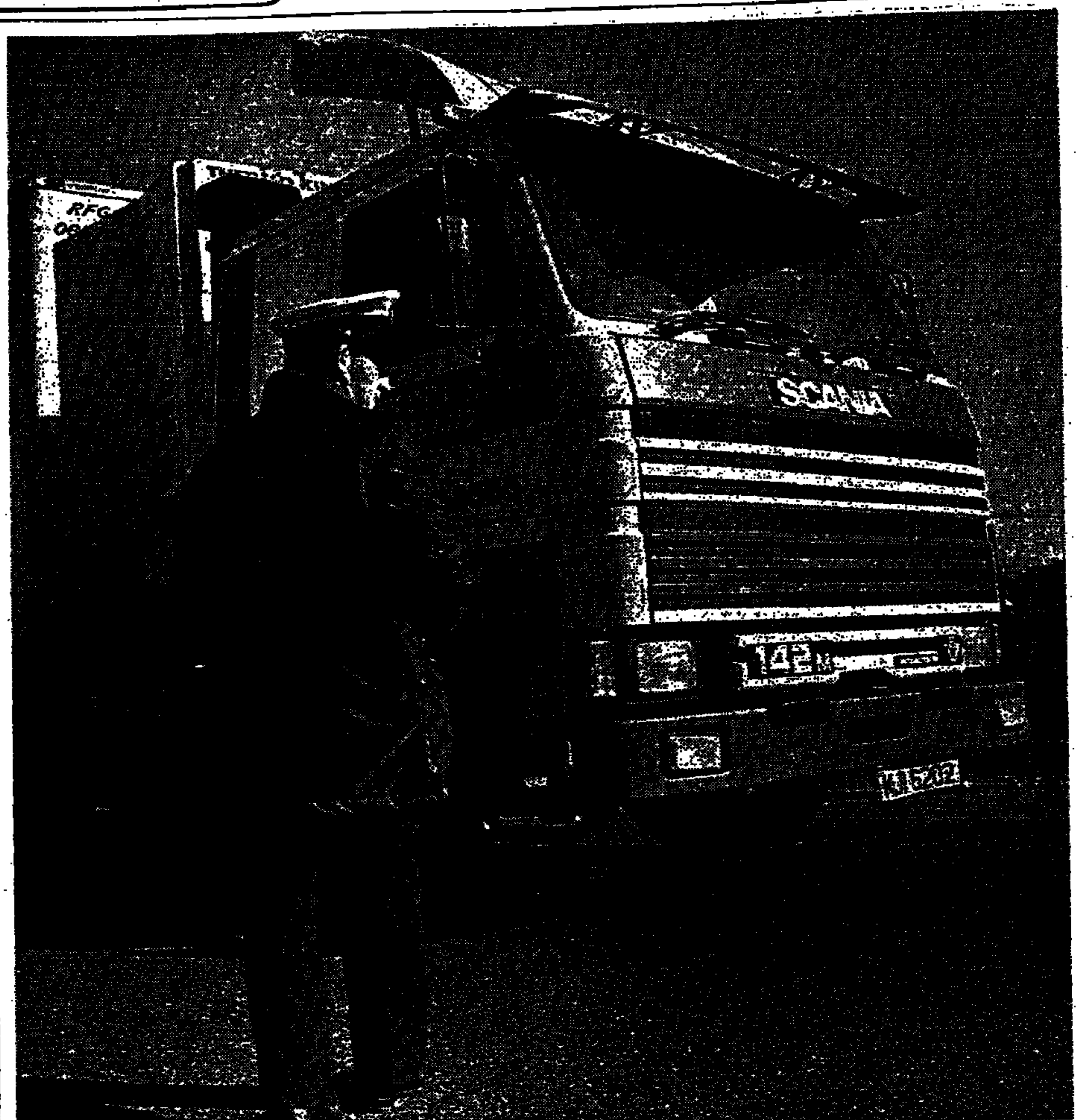
In Europe a new direct Air Force service late last year increased the number of French visitors by 253 per cent to 5,300.

The Government believes that the task of attracting more pure holidaymakers offers the best prospect for growth. To this end the new tourism strategy has identified priority markets, particularly Great Britain and the Republic, the youth market and niche or special interest markets.

Particular tourism products will be identified as centres of international excellence in areas such water sports, heritage and culture and local cuisine.

The new strategy is being interpreted as a blueprint for tourism development in the province into the next century.

Jim Flanagan



Border patrol: any opportunity that there might have been to boost the economies either side of the Irish border, has evaporated. The Republic is seen as a trade competitor; the new Northern Ireland ministers see the border only in terms of security

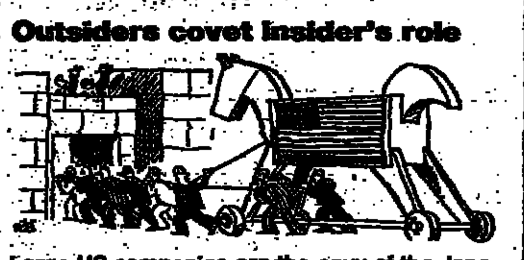
FINANCIAL TIMES
COMPANIES & MARKETS
Monday October 16 1989

INSIDE

BAe and Thomson in missile merger plan

British Aerospace and Thomson-CSF, western Europe's largest suppliers of military equipment, plan to announce today their intention to merge their top-security missile businesses into a joint company with annual sales of £1.4bn. If approved, it would be the only fully integrated missile concern in Europe capable of making both electronic guidance systems and finished weapons. Today will also see the first working group meeting between the two companies and Ferranti International Signal in preparation for a possible BAe-Thomson bid for Ferranti. Page 28

Outsiders covet insider's role



Large US companies are the envy of the Japanese. For, while the likes of IBM and Ford have acquired the freedom to range widely across Europe, similar expansion by their Japanese counterparts is generally seen as part of a menacing invasion by "Japan Inc". In the Business Column, Guy de Jonquières examines what Japanese companies have to do to counter this image and win acceptance as international "insiders". Page 38

Strong forces in the gilts sector

Gilt-edged optimists delight in every rise in base rates because these increase the chances of a recession, while the pessimists see the rises in short rates as inevitably putting upward pressure on long yields. The gilts market is thus in a strong two-way pull, writes Mike Payne of Legal and General Investments; convincing arguments can be made either for long yields to fall to 8 per cent in 12 months or to rise to 12 per cent. Page 23

Plenty to smile about

SIEBE

Siebe chief executive Barrie Stephens has good reason to smile at the mention of the company's inclusion in the FT-SE 100 index. For Siebe has grown into one of the world's largest manufacturers of controls equipment with sales of more than £1bn, going a long way towards vindicating a strategy which until recently made it one of the City's least popular stocks. Page 25

Market Statistics

Companies in this section

Friday's Wall Street collapse was the sharpest since Black Monday. FT writers put it into its global context

Spark sets light to smouldering market

LAST FRIDAY afternoon's collapse of US stock markets occurred with unimaginable speed. Between 3 pm and the market's official close an hour later, the Dow Jones Industrial Average lost 120 points. In the time it takes a person to ride the subway from mid-town to Wall Street, the US industrial economy lost nearly a 20th of its market value.

The collapse was triggered by a single event. This was the announcement, which came clattering over stockbrokers' tickers at just before 3 pm, that a group trying to raise money for a takeover of United Airlines had been rebuffed by the world banking industry. After weeks of evaporating confidence in the high interest or "junk" bond market, the message could not have been clearer: at present there is no more finance for highly speculative takeovers.

As summer has turned to autumn, the market for the junk bonds used over the past five years to finance takeovers has dried up. Wall Street's speculators were forced to fall back on the only remaining pool of takeover capital, which was in the banking system. The United announcement told the speculators that the banks were not playing.

It was like a shot fired into a crowd. The market was suddenly a desperately perilous place. Some takeover stocks, most notably UAL, United's parent, were now 15 per cent, 20 per cent overvalued. According to Jefferies & Company, the West Coast stockbroker which made a market in UAL in London late on Friday, there were buyers around for the stock at $230, down from $279¾ when it was suspended in New York. As Mr Jim Grant, a professional Wall Street commentator who is consulted (like Cassandra at Troy) in times of great trouble, wrote presciently last week: "Asset values are hostage to the availability of new credit. Let credit contract, or even stop, and the process of de-leveraging begins."

Friday's collapse was the latest step in intermittent efforts by the market to de-leverage or cool the speculative fever in the US industrial economy. There was the arrest of the takeover speculator Ivan Boesky in 1986; the neutralisation and then indictment of Michael Milken, who created the junk-bond takeover market; and the stock-market crash of October 19 1987. These events unsettled the stock market and handed speculators large losses. But the takeover fever persisted, culminating in the $25bn buy-out of RJR Nabisco, the tobacco and food group, last autumn.

But this year things started going seriously wrong in the junk bond market. The most severe blow came last month, when Campeau, a stores and real estate group assembled in just three years through the issue of $10bn in loans and junk bonds, admitted it could not make interest payments on its new bonds. Other recent issuers, including Resorts International, a casino group, and Integrated Resources, a financial services company, defaulted. Mutual funds and other junk bond investors were demoralised, forcing Ohio Mattress and the Ramada hotels group to drop plans to raise junk finance for buy-outs or restructurings.

More sinister, the bonds of the strongest junk bond issuer, RJR Nabisco, were quietly and steadily falling in value. Because the junk bond market lacks transparency, it is hard to get exact prices: according to one quote, an RJR subordinated exchangeable debenture was worth 96½ cents on the dollar at the beginning of this month, but had fallen to 82½ by Thursday evening. As RJR is the only junk company which is truly "liquid" or easy to trade in, it looks like investors were pulling out of the market in the quickest way they knew.

Undeterred, the stock market continued to climb. The Dow Jones Industrial Average, which measures the performance of 30 large-capitalisation stocks, closed at an all-time record of 2,791.41 on October 9.

Professional takeover speculators, known on Wall Street as risk arbitrageurs, gained new confidence after UAL's board agreed to sell the airline to a group of managers, with the pilots union and British Airways. The key to the deal was that the bidding group was not even going to attempt to raise money in the devastated junk bond market. Citicorp and Chase Manhattan, the New York banks acting for the bidding group, said they would lend $3bn for the deal themselves and were sure they could find other banks to put up another $4.2bn. This was a fatal misjudgment by North America's two largest banks.

Already in September there were straws in the wind. Citicorp itself ran into opposition from the Federal Reserve when it tried to push through a $1.5bn leveraged buy-out of the Del Monte processed food business, using mostly its own money. The deal was rearranged at the Fed's insistence.

But Quintex, a little-known Australian media group which was trying to raise $1.5bn to take over the MGM/UA film studio, appeared on Tuesday to have failed even to raise a $50m deposit on the deal. For the United transaction, the deadline for the financing came and went on Thursday evening: Citicorp and Chase did not have the bank commitments they needed.

In its Friday issue, the American Banker newspaper reported that the Japanese commercial banks, which bestride the world banking industry because of their vast capital, were simply not taking their usual shares in the financing. In particular, Dai-Ichi Kangyo, the world's largest bank, was said to have committed to lend just $100m to the deal.

Obviously, the deal was riskier for the banks without junk bonds. Without a fat layer of subordinated debt, there is nothing to cushion the banks from loss but the owners' equity, which in the United case is very small. But Wall Street on Friday morning was alive with other rumours. The Japanese banks were said to be alarmed by the fact that the important machinists' union at United was opposed to the deal. One rumour even had the Japanese authorities ordering the banks not to take part.

The mood on Wall Street on Friday morning was not helped by bearish remarks on the whole subject of junk bonds by Mr Robert Steinberg, the head of risk arbitrage at Bear Stearns, a firm heavily involved in takeover stock trading. But by 11.30 am, the Dow was down just 5.74 points. An arbitrageur interviewed soon afterwards was not too alarmed. "The Japanese are worried about the machinists, which is a non-issue," he said hurriedly. "Citibank is being too greedy with its fees. Can't BA put some pressure on the banks over in Europe?"

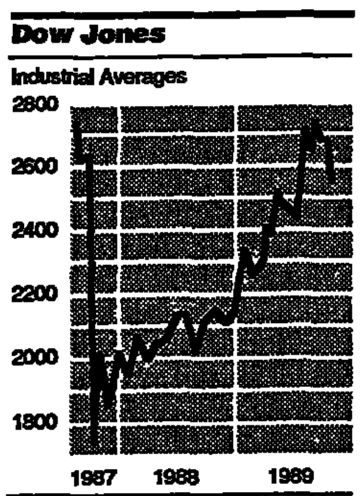
By early afternoon, the rumours were growing in strength and conviction. The Dow was down 23.57 at 2.30 pm. Twenty minutes later, Airline Acquisition, as the bidding group is known, announced that the two banks had not been able to syndicate the loans. At 3 pm, the Dow was down 69.88 and tumbling headlong, as arbitrageurs were desperately selling out of the takeover stocks. These sales triggered computerised sell programmes by passive investors in the futures market. In minutes, exchange officials in New York and at the futures markets in Chicago were facing the worst crisis since the crash of October 19 1987. It was time to see whether the trading mechanisms introduced since then would work.

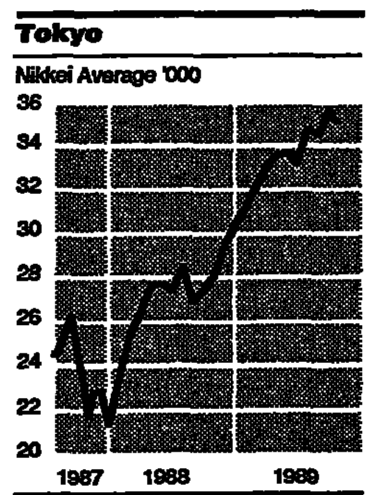
At about 3 pm, the futures contract on the Standard & Poor's index of 500 stocks hit the limit of 12 points down, which was established last year as a so-called "circuit-breaker". Trading in the contract was suspended for a half-hour breathing space. A few minutes later, computerised traders were segregated from the rest of the market and put into a separate file known as the "sidecar". Officials of the main cash exchanges in New York conferred with Chicago market executives and the Securities and Exchange Commission in Washington and trading in the futures contract was re-started at about 3.30 pm. But within 15 minutes, the contract had hit another trigger-point, down 30 points, where under the post-crash rules it is suspended altogether.

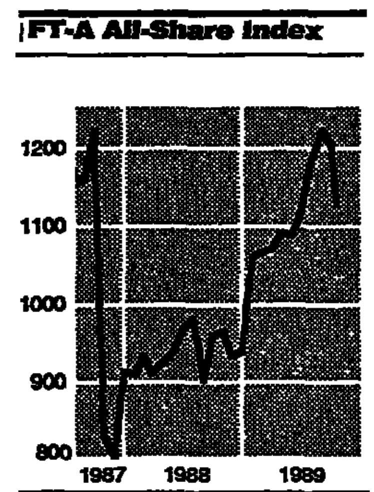
These mechanisms will be the subject of great debate and inquiry over the next few weeks. Officials in Chicago were already claiming at the weekend that the halt in futures trading shows that the collapse was not due to computerised programme trading. What would have happened without the circuit breakers in anybody's guess.

James Buchan

Same threat, changed conditions







STRONG rises in share prices around the world this year have taken all the main stock markets up to or beyond where they stood before the crash two years ago. Profits and dividends have risen sharply in the intervening period. So, with the important exception of Japan, price earnings multiples and dividend yields are significantly below their previous peaks.

An analysis published last week in the Amex Bank Review showed that the average p/e ratio in the US had fallen from 22.3 in October 1987 to 13.7 earlier this month. Average p/e's in the UK were down from 18.8 to 12.9, while West Germany had seen a decline from 16.2 to 13.2.

The implication is that share prices in these markets are much less overvalued today than they were immediately before the 1987 crash. However, the present ratings are not low by the standards of the previous decade.

The Japanese market was very little affected by the crash, and has remained on a firm trend for most of the last two years. According to Amex, the average p/e is still over 60, which is only marginally down on the level two years ago. Comparisons with the average ratios in other countries can be misleading for accounting and other reasons. Still, average p/e's in Japan were well below 30 for most of the decade before 1985.

In 1987 US bond prices had been weak in the period leading up to the crash, taking yields at the long end up from just over 8 per cent to about 10 per cent within the space of a few months. But prices have been strong through most of his summer, and the yield had fallen by a full point since the end of March to about 8 per cent before last Friday's gyrations.

The picture does not look so healthy in the UK, where concern about the outlook for sterling and inflation has taken yields at the long end up to nearly 10 per cent, only a little below their level two years ago.

Monetary conditions are tighter in the UK than they were in 1987, to judge by Amex figures showing a rise from 5.5 to 7.7 per cent in real money market rates. In the other important centres, real rates are very much in line with where they stood before the crash.

US share prices stood at their all-time high a week ago today, when the Dow Jones Industrials closed at 2,791.41. That was 30 per cent above the level at the beginning of the year, and compared with a pre-crash high of 2,722.4 on August 25 1987.

These strong gains on Wall Street have had a powerful impact on other markets. For the first nine months of the year, London kept up with Wall Street, but prices have weakened recently and the FT-Actuaries All-Share Index narrowly failed to break through the high point set in August 1987. The index closed on Friday just over a fifth above its level at the start of the year.

The tone in the Japanese market is nowhere near as confident as it was in the months prior to Black Monday two years ago. In the first quarter of this year, the Nikkei average rose 8 per cent to 32,838, then made no progress in the second quarter before climbing another 8 per cent in the third quarter, almost all of which was gained in a sudden spurt in July.

Volume has also been weaker as the year progressed.

Meanwhile, the outlook for the Japanese economy looks good for the foreseeable future. Most analysts are projecting GNP growth in excess of 4 per cent this year and continued high growth in 1990.

Important investors remain solidly behind the market. In the first nine months of this year, insurance companies, banks and other financial institutions which form the largest single group of investors in the market, poured in slightly more than the net ¥4,712bn in the whole of last year.

Richard Lambert and Ian Rodger

Japanese banks lose their passion for LBOs

JAPANESE BANKS' passion for leveraged buy-outs was fading even before the apparent collapse of the planned $7.2bn takeover of UAL. It will take time to be revived.

The cool response of Japanese banks to the UAL deal came after weeks of increasing concern about Japan's commitment to the high-flying LBO market, where Japanese banks have provided about 30-40 per cent of the total funds.

Even as Japanese banks were lending funds to one LBO after another, expanding their corporate finance teams to cope with the workload and building links with American investment banks, they were simultaneously becoming more and more cautious about what they were doing.

Mr Yoh Kurosawa, chairman of the Industrial Bank of Japan, said yesterday: "We have taken the view that we had a little bit too much of this kind of debt. Just look at the junk bond market. It's terrible."

Unease about LBOs was compounded by a growing sense that trading conditions around the world, particularly in Europe and North America, where worsening with interest rates rising and economic growth slowing.

The Japanese authorities voiced concern about the rush into LBOs on several occasions, most loudly when Japanese banks provided about half the bank finance for the $25bn takeover of RJR Nabisco, the diversified tobacco giant, at the beginning of this year.

But their level of concern was considerably more muted than, for example, their insistent demands for cuts in lending to the over-heated Japanese real estate market.

In the case of the UAL deal, Mr Tadashi Okada, a Bank of Japan director, has denied categorically that the authorities gave instructions to commercial banks to pull out. Each bank made its own decision, he said in a Japanese newspaper interview.

Such a denial is not surprising given that the drastic impact the failure of the UAL deal in the financial markets. The Bank of Japan would hardly admit to having precipitated a 190-point plunge in the Dow Jones Index.

Moreover, Japanese banks were not unanimous in turning down the UAL deal. Three banks – Mitsubishi Bank, Sanwa Bank and Long Term Credit Bank – at least said no. Several others, including the Industrial Bank of Japan, offered a token amount, estimated at $100m. However, Mitsubishi Trust and Banking, the largest trust bank, was willing to put up a sizeable $300m.

The deal itself was in reality less attractive than some of its predecessors. While the involvement of British Airways, which wants to take a stake in United Airlines, spoke for the the proposed takeover, this was offset by doubts voiced by the US Administration about foreign ownership of US airlines. Japanese bankers were also concerned about the power of United's trade unions, which were also to have a say in the new management, and about the general unpredictability of airline profits. "We consider any airline investment an adventure," Mr Kurosawa of IBJ said.

The first doubts about financing LBOs were expressed at the end of last year when Japanese banks prepared to put up half the bank finance needed for the record-breaking LBO of RJR Nabisco. The Bank of Japan and the Ministry of Finance then stepped up their monitoring of Japanese involvement of LBOs.

But Japanese money continued to pour into LBOs. Japanese companies, which had started linking up with US mergers and acquisitions specialists in 1985, continued to seek out partners as the LBO market expanded. In March this year, Fuji Bank formed a joint venture with James D Wolfensohn, a company with Mr Paul Volcker, a former chairman of the US Federal Reserve Board, among its directors. In the summer, Yasuda Trust & Banking, a trust bank, forged links with M&A Strategy, a Chicago-based house. Finally, at the start of this month, Dai Ichi Kangyo Bank, Japan's largest bank, tied up with Clayton & Dubilier, a leading buy-out specialist, to establish a $1bn-plus LBO fund.

The attraction of LBOs was the same as for banks elsewhere – the promise of high returns. But in addition for Japanese banks, LBOs have provided a valuable entrée into US corporate finance. These attractions remain.

One Japanese banker said yesterday that his bank would continue to take a steady case-by-case approach to LBOs. "It's a gross misunderstanding to say we have been extremely free with our money and are now changing our minds."

But he was in a minority. Others took the view that there were good reasons why the UAL takeover had apparently failed – reasons which went well beyond the merits of the deal itself. Mr Isao Matsuura, general manager of Sanwa Bank, said: "This was not a sudden decision. It's a new trend to be more cautious."

Stefan Wagstyl

Air of caution permeates UK

THE LATEST threat to the UK equity market comes at time when the flow of large outstanding corporate deals is at a relatively low ebb – perhaps indicative of the air of caution which has been around for some months.

The ability to underwrite paper-financed transactions has been sharply curtailed ever since the 1987 stockmarket collapse. Yesterday, however, a number of merchant bankers were also making the point that bank lenders have been increasingly wary of leveraged deals recently.

"Certainly, one's noticed this over the past six months – especially for those deals dependent on capital values from subsequent disposals, rather than pure cash flow," said one senior corporate finance executive.

There seems little doubt that there are some deals which would be put on ice if London follows Wall Street down on a sustained basis. However, as Derek Higgs at S. G. Warburg pointed out, a greater proportion of bids in the UK have been "industry-driven, rather than debt-driven", compared with the US. With European restructuring, for example, generating a number of transactions, the impact on the deal-flow may be softened, he suggested.

And, ever-resilient, merchant bankers are quick to point out opportunities which a sharp correction in equity values might provide. "I think the kind of companies doing deals might change," said Mr Gerry Grimstone at Schroders. "If equity values fall, it could tempt people in."

The largest outstanding situation is that of BAT Industries, the tobacco-based conglomerate which has been under threat from Sir James Goldsmith's Hoylake consortium. BAT is seeking shareholder approval for its own proposed restructuring this week, while Hoylake, whose bid has formally lapsed, is pursuing clearances from the US insurance commissioners with a view to rebidding shortly afterwards.

Yesterday, BAT said that it expected Thursday's extraordinary general meeting to go ahead, but added that there might be some slippage in the subsequent timetable for the envisaged disposals if a severe bear market develops. It had previously suggesting that disposals, together with the two demergers, might take place in the first quarter of 1990.

How Hoylake – whose earlier £13.5bn offer envisaged the use of $4bn-worth of "junk bonds" – may react was less clear yesterday, although one adviser close to the deal said he would be surprised if the consortium did not pursue the US clearances.

The other two major hostile situations are DRG, defending against a £700m leveraged bid from Mr Roland Franklin's Pembridge, and Pearl Assurance, facing a £1.1bn offer from Australian Mutual Provident. Both bidders confirmed yesterday that they would not seek to abort the deals – even if, as seems unlikely, this was possible. That could pose problems for the defending camps: DRG shares closed at 601p on Friday, against an offer price of 590p, while Pearl stands at 640p, against the bid value of 605p.

At Hay Group, the most significant flotation in progress, the mood was philosophical. The company says there is no intention of pulling the £393m issue. The pricing was set last week at 105p a share, well below initial estimates, and the shares are fully underwritten.

Nikki Tait

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Pearl bid financing leads a lively week

DESPITE THE protests from most banks that there seemed to be little going on on the international credits market, there was something of a flood of news last week – and none of it involved the UK water companies.

Patchy details emerged of the terms on the facilities organised by Lloyds Bank and Chase Manhattan to help finance Australian Mutual Provident's takeover bid for Pearl Assurance. None of the facilities are in syndication, but they will be launched if the bid is successful.

The three-year £525m term loan is said to carry a margin of 25 basis points over Libor, with an 8 basis point commitment fee for undrawn amounts. Front-end fees are not disclosed.

Two short-term facilities will not be syndicated. It is understood that Lloyds has arranged a one-year £132.5m revolving credit paying 25 basis points over Libor, with the lack of a commitment fee suggesting it will be fully drawn. Meanwhile Chase has arranged a one-year term loan for the same amount with an ⅛ point margin and a 5 basis point commitment fee.

Syndicate officials said they thought the terms looked aggressive given the implied exposure to Australia and the unfashionable insurance sector.

The £100m five-year multiple option facility in syndication via Midland Montagu for Glynwed, the UK engineering group, carries a margin of 12½ basis points over Libor and underwriting fees of 7 basis points. There is a utilisation fee of 2½ basis points of a standby facility is more than 50-per-cent undrawn.

Both the Asda and the Maxwell financings were closed last week, with Swiss Bank Corporation, the arranger, declaring them over-subscribed.

The Asda £250m three-tranche facility was over-committed, and the company decided to increase the deal to £320m. Some 23 banks are in the deal, but SBC would not confirm that it was participating itself only in the one-year tranche.

That tranche was increased to £110m, while the two-year tranche is £78m and the three-year tranche £132m.

The Maxwell $3bn facility closed successfully. According to SBC it was comfortably subscribed, and signing will be on 23 October. Other banks felt the comfort factor was somewhat small, and there was talk that some underwriters had been given larger commitments than they had wanted.

Citicorp Investment Bank announced the signing of a $183m senior acquisition facility for RP Scherer, the US-based manufacturer of gelatin capsules.

The funds are part of capital structure to allow Shearson Lehman Hutton to buy the company via a management buy-in.

A group of six banks participated in five separate facilities placed with local subsidiaries of the borrower. Up-front fees were 40 basis points, but other terms were not disclosed. The structure was held together by a subsidiary cross-guarantee and loss-sharing agreement.

Among new deals, Manufacturers Hanover is thought to be busy underwriting a $750m refinancing for Saga Petroleum. At least two other banks were bidding for the mandate.

The facility, which has not yet been launched into syndication, will be an eight-year term-loan. The margin is thought to be ⅝ or ¾ point over Libor, rising to ⅞.

Midland Montagu is the arranger of a £40m five-year revolving credit for Prowting, the UK building group. No terms were available.

Andrew Freeman

EUROMARKET TURNOVER ($m)

Primary Market	Str'ghts	Conv	FRN	Other
US$	[illegible]	222.1	85.0	9,751.0
Prev	[illegible]	26.8	0.0	11,109.2
Other	[illegible]	0.0	244.0	4,266.8
Prev	[illegible]	0.0	431.6	3,363.0
Secondary Market				
US$	13,597.7	832.1	2,686.3	7,881.8
Prev	19,867.9	1,155.7	7,854.7	8,709.9
Other	15,544.9	976.6	4,335.8	34,126.0
Prev	20,675.4	990.9	5,957.4	30,305.4

	Cedel	Euroclear	Total
US$	11,780.8	25,122.4	36,903.2
Prev	12,644.3	37,935.4	50,579.7
Other	26,471.4	34,349.7	60,821.1
Prev	24,512.8	38,834.9	63,347.7

Week to October 12, 1989

Source: AIBD

INTERNATIONAL BONDS

Plunging Dow completes futures exchanges' misery

WHEN THE Dow Jones index plummeted 190 points in late trading on Friday, the misery of the US futures exchanges was probably complete. For, barely concealed by the customary ebullience of the world's largest derivatives markets, unease lurks.

Over the last year, the US exchanges have been under seige from most angles. And the arrival in Chicago last week of a consignment of distinctly chirpy overseas exchanges at the Futures Industry Association (FIA) annual expo contributed little to their good humour.

Now Friday's events threaten to reopen the vexed question of the destabilising effects of certain kinds of stock index futures trading.

As Senate hearings are held tomorrow in Washington, calling for the industry to defend itself once more before an increasingly hostile Congress, exchange officials could be pardoned for wondering what can go wrong next.

The year began with the revelation of undercover investigations into alleged trading fraud in the pits.

The fall-out from the indictments had already fired congressional determination to press for sweeping legislative change. Then the emergency action taken by the Chicago Board of Trade in the soya bean pit in July, which caused uproar among farmers, did not help the industry's case. The winners in this bitter struggle will be the advocates of automation and screen trading: on the whole, the regulators have seized on the computer as the cleanest alternative to the raggle-taggle of the physical pit.

In an unlikely alliance, the exchanges themselves recognise this inevitability. They are also motivated by the spectre of foreign competition where rival marketplaces are trying to elbow each other out with technology. And it is clear that the US exchanges face a rough ride in this department too.

Mr David Gamis, president of the FIA, startled his audience in Chicago last week with the bald statement that he saw "no customer demand whatsoever for automated trading." None of the other members of a panel of futures commission merchants (FCMs) dissented.

No less problematic is the reluctance of the independent traders or locals on the floor of the Chicago Mercantile Exchange (CME) to go along with Globex, the after-hours system developed jointly with Reuters that will begin full testing in December. Mr Jim Gary of Seal Stone noted that, of the 300 or 400 locals his firm cleared for, only two had asked about Globex, and one of those had been put off when he heard he had to sign a year's lease.

The design of Globex as an order matching system left little room for the local. That problem is theoretically accommodated in the fee structure of the system, which is designed to route significant portions of the profits back to that section of the community.

But the CME's dilemma is that most observers believe the fees will have to be reduced dramatically if the system is to work.

Another criticism the FCMs harbour is that Globex is a "take it or leave it" system, modelled closely on the foreign exchange Dealing 2000 and with little room to accommodate the FCMs wishes. For that they prefer Aurora, the CBT's alternative, which is being developed with extensive member consultations.

Aurora's problem, meanwhile, is cost. While the membership approved a $25m war chest for its development, observers say that was as much to strengthen the CBT's hand when it began negotiations with the CME about a possible merger of the two systems. The CBT's attempts to increase exchange fees – to provide funds for "future developments" – met such a barrage of criticism that the idea was temporarily shelved.

Aurora also compares unfavourably in cost terms with Liffe's new system. The announcement this year that the CBT would be putting its vast financial muscle behind a system that looked very similar to the one Liffe had worked on for two years, gave the London exchange an unpleasant turn. Yet Automated Pit Trading, which Liffe officials have called the most advanced electronic trading system devised, cost just $2.5m, and goes live at the end of next month.

Meanwhile the FCMs are "disappointed" at the silence from the main two exchanges as to how the merger talks – partly prompted by the broking houses themselves – are progressing. And Matif, the French futures exchange which is still party to the Globex discussions, is making unhappy noises about how it might be affected.

This gloomy picture does not suggest that the leap into automation will be into an abyss. Rather, it highlights the peculiar difficulties of the US exchanges. This year they have been absorbed in a fight with their regulators as new exchanges in Europe have been spirited along by enthusiastic Governments. In the technology revolution they face the entrenched interests of a 150-year tradition – problems unknown to the green field exchanges outside the US. But few now dispute that the open outcry method of trading is ultimately doomed. In the meantime managing the change is distinctly uncomfortable.

Katharine Campbell

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Nichias Corp.‡◆	100	1993	4	3½	100	Yamaichi Int. (Eur)	3.500
Formula II Ltd.◆	19	1993	4	Zero	71.099	Fuji Int.	8.901
Formula III Ltd.◆	18	1993	4	5	87.725	Fuji Int.	8.770
Italy, Republic of◆	1.5bn	1994	5	8½	99⅞	Morgan Stanley Int.	8.532
Japan Development Bank◆	200	1996	7	8⅝	101⅜	IBJ Int.	8.358
GE Capital (Canada)◆	150	1999	10	8¾	99.60	Kidder Peabody	8.812
IBM Credit Corp.◆	400	1992	3	8⅝	101.30	Goldman Sachs Int.	8.120
Sumitomo Metal Mining‡	300	1993	4	(3⅞)	100	Daiwa Europe	★
Sunbelt Enterprises★★◆	150	1991	2	11	92.6539	Citicorp Inv. Bank	15.550
CANADIAN DOLLARS							
Shell Canada◆	150	1994	5	10⅝	101.65	Wood Gundy	10.188
Royal Trust Corp.◆	100	1994	5	10⅞	101⅞	Societe Generale	10.376
Vancouver City Savings◆	100	1994	5	10¾	101⅝	ABN	10.318
AUSTRALIAN DOLLARS							
National Australia Bank◆	50	1992	3	16½	101⅝	Hambros Bank	15.725
Kansallis-Osake-Pankki◆	160	1999	10	Zero	25⅜	Fuji Int.	14.699
D-MARKS							
National Bank Hungary◆	200	1996	7	8	101	WestLB	7.809
Raiffeisen Z'bank(e)‡◆	150	1996	7	7½	124	DG Bank	3.565
Fuji Kagakushi Kogyo‡	75	1994	5	(1½)	100	Deutsche Bank	★
SWISS FRANCS							
Daiichi Corp.(i)★★§◆	100	1994	-	¼	100	UBS	0.250
Taikisha Ltd.(k)★★§◆	60	1995	-	¼	100	Yamaichi Bank(Switz)	0.250
Fujikura Rubber(j)★★§◆	30	1994	-	½	100	Nomura Bank (Switz)	0.500
Hoxan Corp.(n)★★§◆	50	1994	-	¼	100	SBC	0.250
Rohm Co.(g)★★§	300	1995	-	¼	100	UBS	0.250
Kimisawa Co.(h)★★§	40	1995	-	¼	100	SBC	0.250
Sakai Heavy Ind.★★‡	70	1993	-	1⅝	100	Bank Julius Baer	1.625
Takamisawa Elec.(o)★★§	35	1995	-	½	100	Nomura Bank (Switz)	0.500
STERLING							
Town & Country B.S.(f)‡◆	100	1994	5	10bp	100	UBS Phillips & Drew	-
ECUs							
Compagnie Bancaire◆	50	1992	3	9¼	101.30	Fuji Int.	8.739
EIB◆	100	1999	10	8¾	101.20	Cr'anstalt Bkverein	8.567
Austria, Republic of◆	100	1994	5	9⅛	102	Merrill Lynch Int.	8.616
Cariplo (London)◆	100	1994	5	9⅛	101⅜	IBJ Int.	8.802
FRENCH FRANCS							
Volvo Group Finance(a)◆	300	1990	1	13	100¾	Societe Generale	12.159
SWEDISH KRONOR							
WestLB Finance◆	300	1994	5	11⅛	101⅝	WestLB	10.688
AB Industrikredit(d)◆	300	1994	5	11¼	101⅞	SE Banken	10.746
DANISH KRONER							
Kredietbank Int.Fin.◆	300	1992	3	Zero	75.95	Privatbanken	9.603
PESETAS							
EIB◆	15bn	1997	8	11.40	101⅜	Caja de Madrid	11.132
LUXEMBOURG FRANCS							
Rank Xerox Finance★★◆	300	1992	3	8½	101	Credit Europeen	8.111
Fiat Finance & Trade★★◆	300	1992	3	8½	101	BGL	8.111
PIBA(p)★★◆	600	1992	3	8⅝	101	Banque Paribas (Lux)	8.235
Esselte AB◆	1bn	1994	5	8¼	101	Banque Paribas (Lux)	8.000
Copenhagen Handelsbk★★◆	300	1992	3	8½	101	BIL	8.111
Copenhagen Handelsbk★★◆	300	1992	3	8½	101	Kredietbank Int.	8.111
City of Copenhagen(p)★★◆	600	1994	5	8⅝	101¼	Kredietbank Int.	8.309
Credit Lyonnais★★◆	300	1992	3	8½	101	Credit Lyonnais	8.111
YEN							
Jewel V Ltd.★★◆	25bn	1993	4	5.6	101⅝	Daiwa Europe	5.140
CIBC Asia(b)♥◆	2.5bn	1993	3¼	(b)	101⅝	New Japan Secs.	-
Flash Nine Ltd.(c)◆	2.5bn	1993	3¾	(c)	(c)	Sanwa Int.	-
Flash Nine Ltd.◆	204	1993	3¾	Zero	84⅛	Sanwa Int.	4.718
Montreal Trustco(l)◆	6bn	1994	5	-55bp	100.10	LTCB Int.	-
Bergen Bank(m)◆	3.5bn	1991	2	7	101⅝	New Japan Secs.	6.112
Kansallis-Osake-P.(m)◆	2bn	1991	2	12	101⅛	Nippon Credit Int.	11.340

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ♥Variable rate notes. ◆Final terms. a) Borrower option to redeem in FFr or US$ at FFr6.46 per $. b) First coupon 5⅞%, thereafter formula linked to Nikkei stock index. c) Launched in two tranches: one of Y1bn with variable rate coupon between 5.175% and 6% and Y1½bn paying between 5.5 and 8.605%. Issue price 101⅜ and 104⅝. d) Fungible with SKr350m issue launched end August. e) Each DM5,000 has three warrants to buy 71 participation certificates at Sch450. f) 10bp over 3-month Libor. Additional £25m on tap. g) Yield to put 3.441%. h) Yield to put 3.478%. i) Yield to put 3.453%. j) Yield to put 3.46%. k) Yield to put 3.44%. l) 55bp under Japanese long-term prime rate. m) Redemption linked to Nikkei stock index. n) Yield to put 3.427%. o) Yield to put 3.423%. p) Launched in two tranches of LFr300m each tranche. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Half measures for bears and bulls

AN OPTIMIST looking at half a glass of beer claims it is half full; a pessimist claims it is half empty.

In a similar way, gilt-edged optimists delight in every rise in base rate because these increase the chances of a recession. The pessimists see the rises in short rates as inevitably putting upward pressure on long yields. The gilts market is thus in a strong two-way pull. Convincing arguments can be made either for long yields to fall to 8 per cent in 12 months or to rise to 12 per cent.

Last week – at least until Friday's events in New York – the bears won rather more of the arguments. Despite the latest rise in base rates, sterling remained under pressure. The intervention required so far this month to prop it up must have cost the UK's overseas reserves dearly. Admittedly Britain is getting support from other central banks seeking to cap the dollar but, as Japan demonstrated on Wednesday, intervention in the currency markets has a short-lived impact without the backing of higher interest rates.

The pressure on sterling was inevitable. The recent co-ordinated European interest rate rises gave the pound no advantage. It needs extra protection because of the UK trade deficit, British inflation rates and, dare I say, increasing political uncertainty.

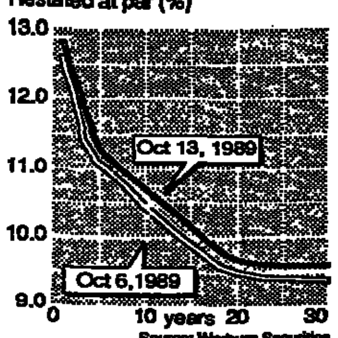
Mr Nigel Lawson, the Chancellor of the Exchequer, must not (and, if one believes his conference speech, will not) allow the pound to fall much further. The consequences for inflation would be unthinkable. The only argument for a sterling devaluation would be to offer some compensation to exporters for the high interest rates. This has some logic to it. What the UK economy needs is high rates for the consumer, not for British industry.

Unfortunately, with most mortgage rates continuing to stand below base rates, the reverse is happening. If the commendable growth in exports tails off without a fall in imports, the trade deficit could get even worse.

If the Chancellor is forced into policies other than combating inflation through the use of high interest rates, the country could see the end to gilt buy-backs and even some new stock issued at the long end as part of an over-funding policy. However, if the Government is not going to spend the money, the cash raised may find its way back into the money markets. The net effect would simply be a flatter yield curve with much higher long dated yields.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

The immediate political concern is that the Tories believe that they need to spend money to buy votes. They demonstrated such a policy last week with the changes in the poll tax. Other manifestations would be higher infrastructure spending, higher public sector wage settlements and further income tax cuts. These would all lead to a less negative PSBR. Coupled with an economic slowdown, it is conceivable that PSDR could return to being a PSBR in 1991.

Although the pessimists appear to have more arguments on their side, the optimists have potentially the strongest qualitative case, namely a UK recession and/or full membership of the European Monetary System. These two events could lead to a structural shift in gilt yields, both at the short and at the long end.

The signs of a slowdown in the UK economy were visible in the third quarter. These weakening trends will be exacerbated by the rise in base rates to 15 per cent. As night follows day, both price and wage inflation should fall in the next 12 months.

If investors felt that 5 per cent price inflation could become the Government's maximum limit rather than an acceptable minimum, then longer gilt yields can fall back nearer to 9 per cent. Such a policy is possible in the next parliament, particularly if coupled with full EMS membership.

However, the UK needs to reduce its inflation rate (and therefore interest rates) by its own efforts before enlisting the help of European monetarists. This may cause a good deal of pain over the next 12 months – but at least gilt-edged investors will have something to smile about.

Mike Payne

Mike Payne is Director (Investment Strategy) at Legal & General Investments.

US MONEY AND CREDIT

Uncanny parallels with 1987 crash

UNCANNY, isn't it? In 1989, equity traders and investors *are looking forward* with trepidation to October 16 – today – to see if there is a serious rout in the stock market.

In 1987, two years ago, the huge fall on October 16, a Friday, presaged the unprecedented crash of 508 points on the Dow Jones Industrial Average index the following Monday.

Unless you are a believer in the strict mathematics of wave or cyclical theory, the timing of last Friday's sudden fall of nearly 200 points on the stock market could have been just a freak.

However, some, looking at what led up to both the selling deluge last Friday and the crash of 1987, see some remarkable parallels.

In both cases, for example, interest rate and currency policy co-ordination with the Group of Seven industrial nations appeared to be in disarray.

In 1987, the October 19 stock market crash was preceded by an ominous trans-Atlantic war of words between West Germany and the US.

Then, West Germany made it pretty clear that it was dissatisfied with the progress being made by the US to improve its trade deficit and would not, it suggested, hold its own financial rectitude hostage to the dollar's fortunes by continuing to support it.

This year, the great equity sell-off was also preceded by substantial unease within the powerful G7. This time, however, the bone of contention was the strength of the dollar which, the non-US industrialised nations argued, was impeding trade adjustments, causing gradual devaluations in their own currencies and threatening their own fights against inflation.

After most European nations and Japan had raised interest rates, the dollar just kept on going up.

In response, the US Federal Reserve may (or may not) have eased. On Friday there were reports that the Fed planned to make liquidity available to the markets in an attempt to head off any further panic selling of equities.

All last week, the US Treasury bond market reacted exclusively to the Fed's open market operations, watching for signs as to whether the central bank indeed had eased in response to pressure from its partner central banks in the G7 and to its own Administration.

By Friday most were fairly sure that a modest easing was in place, in spite of figures showing higher than expected demand in the consumer sector and prices in September. Both of these sets of figures could be expected to persuade a Fed with more than its fair share of inflation hawks to keep policy as tight as the Administration would countenance.

What made that arcane debate irrelevant last Friday was the ingredient which was present both before the stock market crash of October 1987 and the alarmingly swift sell-off at the end of last week: a speculative bubble.

Most of the smart money knew in the weeks (or even months) before the 1987 crash that the market was overvalued.

However, many were still caught naked against the hurricane when the winds started to blow.

This time, similarly, there was many a prophet who worried – on the sidelines – that the market could not go on rising just because corporations were vainglorious and perhaps stupid enough to pay over the odds to take over another company and cripple themselves with debt to boot. And the takeovers kept on coming.

Mr Robert Campeau's much-trumpeted foray (aided and abetted by First Boston) into US retailing through his acquisition of Allied and Federated Stores collapsed in an ignominious heap in early September. The junk bond market suffered its worst rout since the crash of 1987. Did the equity market worry? No. Instead, it surged to all-time highs (probably despite much worry about disarray within the G7 which was already apparent).

The trigger for Friday's swift sell-off for equities – nearly 200 points in the last hour of trading compared with 500 points or so in the whole of October 19 1987 – was news that banks were not prepared to finance the bid for United Airlines by UAL's management and employees, and British Airways.

Even the most intelligent observer of the markets might have wondered: why UAL, why not Campeau, why not Resorts International, why not Integrated Resources? There have been enough disasters in companies bought out using junk bonds or restructured using a dangerous amount of leverage, to send warning signals.

Why did the UAL deal have so much impact? Maybe because that deal was regarded as being at the respectable end of leveraged takeovers: if this deal failed to find financing, how could other, less auspicious deals ever hope to go ahead?

Maybe it was the proverbial straw that broke the camel's back. In the week preceding last Friday's news that nearly all international banks had refused to finance the UAL deal there had been numerous stories of troubles.

Qintex of Australia's agreement to buy MGM-UA Communications collapsed because of financing problems, and Ramada scrapped a $400m debt offering as part of its restructuring of Aztar Corp because of the depressed state of the junk bond market.

Maybe it was far more simple than this. Is it worth boosting the equity market by another 10 per cent if 7 per cent can be wiped out in a single Friday afternoon?

Another parallel with October 1987 happened last Friday. As equities slumped, the Treasury bond market surged by more than 2¼ percentage points on Friday as investors sought refuge in government-backed paper – even a Government which has offered the ultimate case study in the art of leverage to corporate America – and gambled on the Fed being forced into easier policy simply to restore confidence.

What the bond market will be looking for today is overt signs that the Fed has eased in response to Friday's stock market shake-out.

Will there, as in 1987, be a statement that the Fed intends to provide whatever liquidity is needed to insulate the US banking system?

Will the non-US members of the Group of Seven be charitable and offer some helpful remarks about peace and love and international co-operation?

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.62	8.87	8.94	9.92	8.00
Three-month Treasury bills	7.16	7.82	8.01	9.03	7.15
Six-month Treasury bills	7.41	8.02	8.19	9.03	7.37
Three-month prime CDs	8.30	8.80	8.80	10.35	8.18
30-day Commercial Paper	8.62	8.75	8.90	9.95	8.05
90-day Commercial Paper	8.52	8.68	8.75	10.05	8.14

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	101¼	+2¼	7.75	8.06	8.17
20-year Treasury	112⅞	+1⅞	7.94	8.12	8.20
30-year Treasury	103¼	+2¼	7.82	8.01	8.07

Source: Salomon Bros (estimates).

Money supply: In the week ended September 7 M1

NRI TOKYO BOND INDEX

December 1983 = 100	12/10/89	Average yield (%)†	Last week	12 wks ago	26 wks ago
			PERFORMANCE INDEX		
Overall	148.70	5.54	149.59	148.83	147.99
Government Bonds	148.66	5.32	149.65	148.93	148.28
Municipal Bonds	150.23	5.77	151.12	150.68	149.75
Govt.-guaranteed Bonds	151.59	5.83	152.27	151.68	150.72
Bank Debentures	142.53	5.65	143.60	142.75	141.87
Corporate Bonds	152.09	5.65	152.28	153.14	149.78
Yen-denom. Foreign Bonds	157.12	6.18	156.93	155.52	153.71
Government 10-year†	5.27		5.15	5.07	4.96

† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
AETNA LIFE & CAS 7¾ 16	200	97	+1	8.03
AHFC O/S FIN. 11¾ 94	100	100½	-¼	11.57
ALBERTA PROVINCE 7¾ 91	750	97½	+¼	8.69
ALBERTA PROVINCE 9½ 95	600	103¾	+⅝	8.62
[illegible]				
QUEBEC PROV 9 98	200	101⅝	+⅛	8.70
QUEBEC PROV 13 90	150	103½	+⅛	9.30
QUEENSLAND GOVT 11⅜ 89	100	100¼	0	9.53
RALSTON PURINA 11⅜ 95	150	107¾	+½	9.84
REYNOLDS R.J. 10¾ 93	100	97½	+⅝	11.06
RICHARDSON-VICKS 11½ 93	125	102¼	0	10.69
[illegible]				
THORN EMI 5¾ 04 £	103	106¾	-3¾	4.44

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6¾ 93	20.0BN	101¾	-⅛	6.26
[illegible]				

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on OCTOBER 13

Chrysler and Mitsubishi in talks

By John Griffiths

CHRYSLER, North America's third-largest vehicle maker, is having discussions with Mitsubishi of Japan about possible joint ventures to produce cars or trucks in Europe.

"The talks are still very much in the preliminary analysis stage," said Mr Robert Miller, Chrysler Corporation's chief financial officer, who also disclosed that Chrysler was looking for a partner to produce its highly successful seven-seater Voyager 'minivan' in Europe.

Mr Miller, in London with several other senior Chrysler financial executives during a tour of European capitals talking to investors, said yesterday that Chrysler's sale for $600m of all but 12 per cent of its 45 per cent stake in Mitsubishi Motors Corporation (bought for $95m) was regarded not as a distancing move between the two companies but as a way of "providing additional capital so that we can do more together, particularly in Europe."

Mr Miller refused to indicate in which country such a project might be located, its cost or precisely what products might be built.

The disclosure that the two long-time partners were considering a joint European venture comes just two months after Chrysler confirmed that it is undertaking a joint 50-50 venture with Renault of France to produce a light four wheel drive leisure/utility vehicle, code-named JJ, to be built at the rate of 100,000 units a year in both Europe and America.

The most notable existing collaboration between Chrysler and Mitsubishi is Diamond Star Motors, a $1bn, 50-50 joint venture producing 250,000 sports cars a year in Illinois.

Chrysler's rekindled interest in Europe – from which it departed in 1978 by selling its Rootes and Simca car businesses to Peugeot in order to deal with market and financial crises in the US – has stemmed from its much faster than expected sales increases in Europe.

The initial impetus was provided by an agreement under which Renault is to market Chrysler's Jeep range in Europe. But minivan and convertibles sales have also taken off through an 800-strong dealer network in Europe, to the extent that Chrysler expects to sell 50,000 vehicles in Europe this year.

This success has helped to validate Chrysler's idea, first formulated three years ago, that a significant presence in Europe could provide a geographic balance to even out demand cycles.

Chrysler hopes to hit 100,000 European sales "in the next several years, and it is only right that you should manufacture in a market where you sell that kind of volume.

"At 100,000 units a year the economies of scale are sufficient to allow it to be undertaken."

Mr Miller gave no firm indication of where the joint JJ project with Renault would be sited, but acknowledged that "Spain is a logical candidate, as is France." He made clear there was no prospect of it being located in the UK.

The plant will be built on a modular basis, allowing highly flexible production.

Components of the JJ will be mainly locally sourced, with production of engines and gearboxes likely to be duplicated so that local content will exceed 80 per cent in both Europe and North America.

Widespread speculation about a merger between Volvo and Renault would have no impact on the JJ project, said Mr Miller. "There are no direct implications for our current involvement, though of course long-term could be a different question."

Merck buys UK maker of seaweed bandages

By Peter Marsh

BRITCAIR, a company which specialises in unusual wound dressings made from seaweed, is being bought by Merck of the US, the world's largest pharmaceuticals group, for $27m.

Merck already sells wound dressings in the US through a subsidiary called Calgon Vestal Laboratories. It also harvests products such as kelp from the sea for use in specialised chemical applications.

Merck, with annual sales of about $6bn, is keen to expand its wound dressings sector, the biggest companies in which include Johnson & Johnson and Squibb, both of the US.

BritCair, based in Hampshire, was formed in 1985. It has a staff of 78, and expects to show a taxable profit this year of £250,000 ($388,750) on sales of some £2.5m. Most of these come from sales of wound dressings to the National Health Service.

The dressings take the place of ordinary bandages and are made from fibres produced from a Norwegian seaweed.

CIBC lifts loan provisions by C$525m in last quarter

By David Owen in Toronto

CANADIAN IMPERIAL Bank of Commerce (CIBC), the country's second largest chartered bank, is to add a hefty C$525m (US$449m) to its loan provisions in its fourth quarter ended October 1989.

The move will raise to 100 per cent the bank's overall provisions against exposure to less developed countries (LDCs) other than Mexico. It is expected to reduce fiscal 1989 earnings by approximately C$300m.

At the end of the third quarter, the bank's net designated LDC exposure stood at C$770m or 17 per cent of common equity, after deduction of provisions. An official explained the decision not to increase reserves on the bank's Mexican exposure by saying that the country is expected to succeed with its latest debt restructuring proposal.

CIBC's initiative is thought likely to spark similar moves by the other five leading Canadian banks, although not all are expected to boost non-Mexican provisions to the 100-per-cent level.

The decision was facilitated by the bank's strong earnings record in the year to date. Income reached a record C$577m or C$3.18 a share in the nine months to July 31. In the third quarter alone, profits advanced fully 49 per cent to C$195m.

Australian public companies 'lag'

By Chris Sherwell in Sydney

AUSTRALIA'S best-performing companies are mostly government-owned, foreign-owned or privately-owned – in only exceptional cases are they publicly listed, according to a survey published at the week end.

The survey, published by Business Review Weekly magazine, underscored an old axiom – that monopolies, of which there are several in Australia, tend to secure the best returns, especially in the gambling business. It also showed that single-industry enterprises did better than conglomerates.

"In general there are three ways to make money," it says pointedly. "You can have a monopoly, you can have a dominant market share of 25-75 per cent, or you can have a 5 per cent share but take firm control of a niche."

The key measure of performance was return on investment – net profit before extraordinary items on average shareholders' funds – over the five years to June 1989.

The survey showed 12 companies managing returns greater than three times the average 10-year government bond rate (13.2 per cent). Of these, six were government-owned, three foreign-owned and two were co-operatives.

The government gambling monopolies (Totalisator Agency Boards) in South Australia, Victoria and New South Wales held positions one, five and six. The Lotteries Commission of South Australia came second.

The top foreign-owned company, at number four, was the specialist publisher CCH, a subsidiary of Commerce Clearing House of Chicago. NCR managed number 10; Bankers Trust number 11. The only listed company in the top 12 was the small mining group Sons of Gwalia.

Others in the top 12 were the Government's Wheat Board and Wool Corporation and the Independent Grocers' Co-operative.

The next 12 companies on the list all managed returns of double the government bond rate. They included three government-owned companies, five foreign-owned companies, three co-operatives and another listed mining company, Consolidated Rutile.

The 100 best performing companies managed returns greater than 15.5 per cent. But of Australia's top 10 listed companies by 1989 revenues, only one made the survey's top 100: National Australia Bank, at 54.

Falconbridge meets target with C$351m

FALCONBRIDGE, the western world's second largest nickel producer, met market expectations by reporting nine-month earnings of C$351m (US$299m), or C$5.26 a share, up from C$217m, or C$2.8, a year earlier. Revenues were $1.9bn against $1.5bn, writes Robert Gibbens in Montreal.

Third-quarter profit was C$92m, or C$1.34, up from C$87m, or C$1.19, on sales of C$579m, against C$525m.

The group is now owned by Noranda of Canada and Trelleborg of Sweden. The figures exclude a C$37m charge relating to the takeover.

Price fall hits Alcoa despite rise in output

ALUMINUM Company of America (Alcoa) cited unfavourable currency exchange rates, lower pricing and shifting demand trends for a fall in third quarter earnings, AP-DJ reports.

Third quarter net income was $219.0m, down from last year's $226.3m. Net income per share was $2.46 against $2.56.

Alcoa said shipments rose to 679,000 tonnes from 671,000.

Extra aid for Malaysian bank

By Lim Siong Hoon in Kuala Lumpur

PETRONAS, the Malaysian state-owned oil company, is to provide another large cash injection for Bank Bumiputra, which is deeply troubled by heavy loan losses.

Bank Bumiputra was set up and controlled by the Government until it passed into Petronas' ownership five years ago. It ranks as Malaysia's second largest bank with assets of nearly 29bn ringgit ($11bn).

Petronas plans to pump 982m ringgit into the bank following the latter's write-off of 90 per cent of its 1,676m ringgit capital equity. The write-off is caused by loan losses of 1.2bn ringgit.

Bank Bumiputra said its management had little to do with the losses, against which 1.2bn ringgit had been reserved for the present financial year. These losses, it said, accumulated from the loans made before 1985 and before the present management took control.

The bank said a "significant portion" of the reserves stemmed from overseas loans, but most were to cover bad domestic debts. None of these losses appeared on the books, and the bank had been reporting improvements in its balance sheet results until now because, for the bank, the Government had waived an accounting requirement.

This is the GP3, a ruling imposed after the lessons of a previous banking scandal. Through it, banks can count interests as income only when received for loans that have been unserviced after they are six to 12 months overdue. Bank Bumiputra said it now plans to abide by the requirement.

Write-offs push Libra into loss halfway

By David Barchard

LIBRA BANK, the consortium bank specialising in debt arbitrage in the Latin American market, yesterday reported a pre-tax loss of £174.6m ($271.5m) in the half year ending June 30.

Libra was established in 1973 and is owned by a consortium of 10 banks, including Chase Manhattan, National Westminster and two Latin American banks.

The figure compared with a pre-tax profit of £10.9m in the same period last year. However, the loss was caused by exceptional provisions for loan losses of £191.1m when last March the bank's owners capitalised $350m of the $450m perpetual loans granted last year.

The bank has now provided against 32 per cent of its Latin American loan portfolio. Its main exposure is in Mexico, followed by Brazil and Argentina.

Mr Peter Bellmont, managing director, said the bank's trading performance was good and that before the provisions were included, it had made pre-tax profits of £16.5m in the first half compared to £10.9m a year ago.

The bank's assets stand at £1.72bn, little changed from a year ago. Its capital, most of which is held in the form of irredeemable preference shares, is £186m.

Euroc sees 27% profit growth

By John Burton in Stockholm

EUROC, THE Swedish building materials, engineering and trading group, yesterday predicted that its profits after financial items for 1989 will rise by 27 per cent to SKr1.05bn ($160.8m), on sales climbing by 20 per cent to SKr11.5bn.

Euroc made the forecast in its eight-month report, which revealed that profits during the period rose by 56 per cent to SKr694m. Half the increase was contributed by companies acquired in 1988, including Castle Cement in the UK.

Revenues from the acquisitions are expected to account for 70 per cent of the SKr3bn increase in group sales for the year.

Sales during the period rose by 30 per cent to SKr7.5bn.

Supermarket side boosts Ito-Yokado

By Robert Thomson in Tokyo

ITO-YOKADO Group, which runs supermarket and convenience store chains, reported a 4.2 per cent increase in consolidated net profit for the first half to end August of Y26.5bn ($185m), after strong sales in its mainstream supermarkets, but a fall in earnings from its Denny's Japan restaurants.

The Ito-Yokado supermarket company reported an 8.2 per cent lift in pre-tax profit to Y35.1bn for the half, with sales rising from Y568.7bn to Y614.5bn.

Consolidated sales for the group of companies were Y814.5bn, up from Y742bn in the same period last year.

Group sales were affected by a 3 per cent consumption tax introduced on April 1, which slowed purchasing in the retail sector. However, Ito-Yokado expects that Seven-Eleven Japan, the country's largest convenience store operator, and a member of the group, will report an 11 per cent increase in sales to Y112bn for the year to end February.

Denny's Japan reported a 4.2 per cent fall in pre-tax profit to Y3.6bn for the first half, after increased labour expenses and repairs and extensions to the restaurants in the chain.

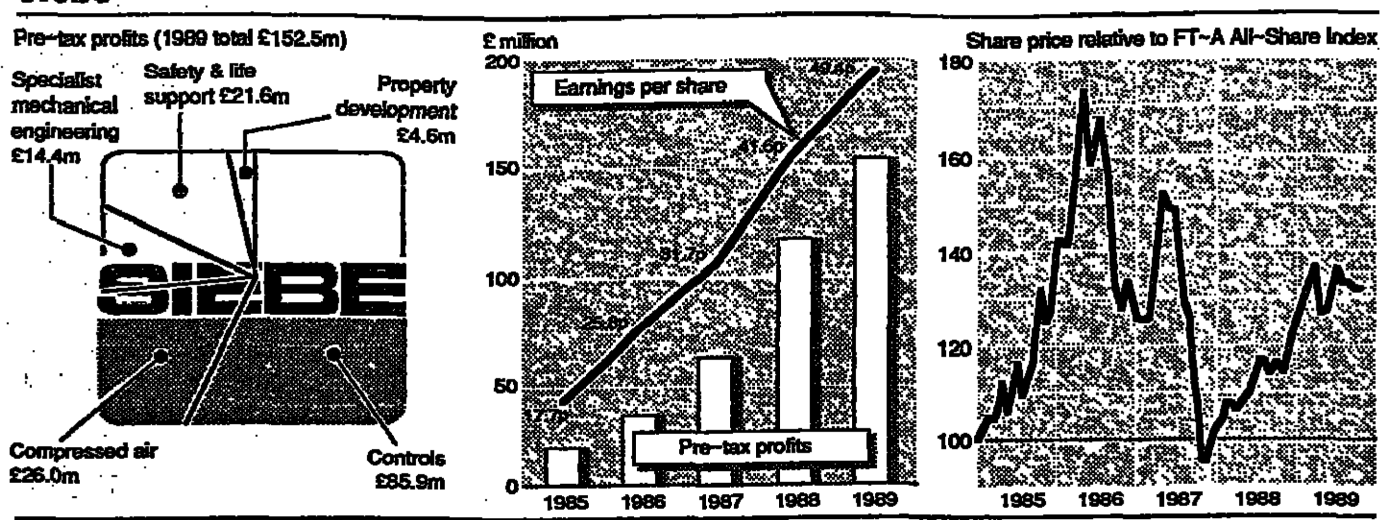
● Nichii, one of Japan's largest supermarket chains, has reported a 14.6 per cent increase in first-half pre-tax profit to end August to Y11bn, and partly attributed the rise to positive results from a newly opened store in Yokohama, near Tokyo. The company expects sales for the year of Y650bn, up from Y606bn, and pre-tax profit of Y24.5bn, a 9.2 per cent increase.

UK COMPANY NEWS

Flavour of the month and enjoying it

John Ridding explains how Siebe shook off its unpopular stock market rating

Siebe



THE mention of Siebe's entry into the FT-SE 100 brings a broad smile to the face of Mr Barrie Stephens, a chief executive who comprises equal parts amiability and a hard-nosed instinct for making deals.

Siebe's growth into one of the world's largest manufacturers of controls equipment with annual sales in excess of £1bn goes much of the way to vindicating a strategy which until recently made it one of the City's least popular stocks.

The strategy, which involved three rights issues in as many years, one of which coincided with the stock market crash of October 1987, still leaves grudges among a few investors. But the success of the acquisitions they financed is now accepted and shares have enjoyed a re-rating. "We are flavour of the month," proclaims Mr Stephens, "and we kind of like it."

In its current shape, Siebe derives over half of its profits and sales from engineering controls for a broad range of customers including the construction, automotive and consumer goods sectors. Although each product is different, ranging from thermostats to devices for limiting the speed of diesel engines, their common underlying function is to improve efficiency.

The group's three other main areas – compressed air, safety products and specialist engineering – have seen steady growth, although the latter has been held back by a slowdown in the construction of European nuclear power plants.

Siebe also has an international spread. The large majority of sales comes from outside the UK, with the US alone representing 46 per cent of turnover.

But Siebe's rise to its current size has been a far from easy process. Many of the turning points in the company's progress have involved hostile takeovers. The 1973 acquisition of James North, manufacturer of safety equipment, was bitterly contested, as was the 1983 purchase of Tecalemit, a maker of garage equipment.

There has also been more than a dash of good fortune in Siebe's move into the lucrative controls market. Following the acquisition of Tecalemit, Mr Stephens confesses, "we were looking through the box of what we had bought and I told my colleagues that the controls companies were no good to us. They were too small and and were in an engineering discipline that we didn't know much about."

After closer inspection, however, the company resolved to hold on to the subsidiaries and the new operation was soon expanded by three pneumatic controls companies which Siebe acquired as part of the purchase of CompAir. "I would like to say that the entry into controls was a grand sweep of strategy, but that wouldn't be telling the truth."

There was also an element of good fortune in the fact that Siebe was able to acquire three large US controls companies – Robertshaw, Ranco, and Barber-Colman – within a year, enabling it to challenge Honeywell and Johnson Controls, the world's largest players, in their own backyard.

Honeywell is still by some margin the largest controls group in the US but Siebe's sights are firmly set on eroding the gap. "At their last shareholders' presentation they mentioned us by name, twice," says Mr Stephens. "One year before they would probably have thought we were a German manufacturer of biscuits."

But Siebe's focus is currently concentrated on other markets. In particular, the group is looking to exploit the technology and products of its US-based subsidiaries in Europe.

The process has been delayed by the need for approval from Europe's various member states but is finally underway. The manufacture of the first of these new products, Robertshaw's gas control valve, is scheduled to start in February 1990.

Ironically, since Siebe is a UK company, it faces similar constraints to non-EC companies in its plans to import technology into Europe. On one level this means satisfying new EC product regulations. More fundamentally, there are concerns that a "fortress Europe" will be hard to penetrate after 1992.

Siebe's response has been to set up a string of manufacturing plants, or adapt existing facilities, while minimising duplication. Robertshaw's gas control valve, for example, will be made at an existing site in Cornwall and exported to the rest of Europe.

Japan provides a second focus for expansion. It is perhaps surprising that Japanese companies do not rank among the world's largest controls manufacturers. It is even more surprising that Siebe, as a foreign company, owns one of the largest Japanese participants in what is a sensitive strategic market.

Siebe acquired Ranco Japan at the time of the acquisition of the US parent. It also owns a small electronics controls company and has a 50 per cent stake in Kuroda Watts, another controls maker. Siebe forecasts that its Japanese turnover will rise from about $100m to $500m over the next five years.

Expansion in its various markets is likely to come more through organic growth than previously. According to Mr Stephens there is no need for a new business leg and acquisitions are likely to be of a "fill-in" nature.

Siebe has also ruled out a rights issue in the near future. Although Mr Stephens concedes that "if we perceive a sensible acquisition in the next financial year then timing would be right" he believes that the current economic climate does not encourage the issue of paper to make a major purchase.

Abstinence from rights issues is one of the principal factors in Siebe's rehabilitation. Of the concerns that remain one of the most commonly cited by analysts is the company's image as a "one-man show". Centralised *decision-making* is perceived as a potential problem given Siebe's rapid expansion.

Mr Stephens strongly rejects such a description. "There is no way that I could run all of our businesses myself, and if I was surrounded by 'yes men' then we wouldn't last two years." Underneath the board are eight "barons" who report to Mr Stephens, each of which has his own executive team.

Any threat to Siebe's progress is more likely to come from outside. Although its return to favour has seen a steady improvement in its share price, its current rating of just over nine times prospective earnings may still appear cheap to a large player looking to expand into the defensive and expanding market for controls.

It seems probable, however, that predators have missed their best chance – when Siebe was in the doghouse and before the pain of expansion turned into gains.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Hafslund Nycomed A & B (Section: Industrials).
Jakarta Fund (Trusts, Finance, Land).
Lilly (Eli) (Industrials).
Yasuda Trust & Banking Company (Banks).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Kingston Oil & Gas, New Ireland, Northern Foods, Rand Mines Group, Walker (J.O.), Waterford Wedgewood, Westerly, Whittington.
Finals- Highland Distilleries, Manganese Bronze.

FUTURE DATES

Interims-	
Chesterfield Props	Oct. 18
Clayton, Son	Oct. 27
Davies & Newman	Oct. 18
Elliot (B.)	Oct. 25
Shell Oil Co.	Oct. 24
Sotheby's Hldgs.	Oct. 25
Toshiba Corp.	Oct. 26
Finals-	
Fenner (J.H.)	Nov. 1
Molyneux Estates	Oct. 17
Scottish Cities Inv Tst	Nov. 13
Thorntons	Oct. 17

FINANCIAL TIMES STOCK INDICES

	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 6	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.79	83.87	83.83	83.91	84.18	84.61	89.29	83.75	127.4	49.18
Fixed Interest	94.08	93.89	94.23	94.86	95.00	95.21	99.59	93.89	105.4	50.53
Ordinary	1815.0	1817.7	1797.3	1796.7	1822.9	1857.8	2008.6	1447.8	2008.6	49.4
Gold Mines	204.7	204.8	206.2	208.2	208.2	208.0	215.2	154.7	734.7	43.5
FT-Act All Share	1124.57	1127.04	1118.61	1120.83	1136.63	1153.22	1225.80	921.22	1238.57	61.92
FT-SE 100	2233.9	2237.8	2218.8	2218.8	2247.0	2277.5	2426.0	1782.8	2443.4	986.9

UK COMPANY NEWS

Some rationalisation but growth should follow

BAe and Thomson seek approval to missile link

By David White and Clive Cookson

BRITISH AEROSPACE and Thomson-CSF are seeking a go-ahead from the UK and French governments to merge their top-security missile businesses into a joint company with annual sales of £1.4bn.

The two companies, which are Western Europe's largest suppliers of military equipment, plan to announce today their intention to set up a 50-50 venture, Eurodynamics.

It would be the only fully integrated missile concern in Europe capable of making both electronic guidance systems and finished weapons.

The announcement coincides with the first working group meeting today between the two companies and Ferranti International Signal in preparation for a possible BAe-Thomson bid for Ferranti.

However, both BAe and the state controlled French electronics group said there were no current plans to amalgamate Ferranti with the new missile venture.

They also emphasised that they needed to investigate the implications of Ferranti's financial "black hole", resulting from alleged phoney contracts at the previously US-owned ISC subsidiary, before deciding whether to press ahead with a bid.

A bid for Ferranti would also be on a 50-50 basis but the two companies have already said that BAe would take management responsibility for Ferranti.

Meanwhile the General Electric Company is still considering a possible counter-bid. It is understood to be talking to several overseas electronics companies that might be interested in forming an international consortium to acquire Ferranti.

However, GEC will not be ready to move for Ferranti for some time. Any bid from BAe and Thomson is likely to come first.

Agreement on the Eurodynamics missile venture is the fruit of two years of talks between BAe and Thomson which first came to public notice late last year.

The plan is to merge BAe's recently reorganised BAe Dynamics subsidiary, based at Stevenage, with Thomson-CSF's weapon system electronics activities. Eurodynamics will employ almost 15,000 people, the bulk of them from BAe.

In April, the two companies reached a first agreement to co-operate on a BAe private venture air-to-air missile project, Active Sky Flash.

The link with Thomson to supply the Seeker system for the medium-range missile meant supplanting GEC-Marconi, which had hitherto been virtually the automatic choice as supplier of guidance systems for BAe missiles.

Thomson-CSF said the joint venture would focus on short-range and medium-range surface-to-air missiles, air-to-air weapons and anti-tank systems.

Although the two companies' activities are seen as largely complementary, with Thomson focussing on the electronics and BAe on the weapon itself, BAe said the merger would imply rationalisation.

They are currently involved in some directly competitive products, such as the latest generation of French Crotale air-defence missiles and the up-graded Field Standard C Rapier under development in the UK.

However, BAe said the combination of the two groups' marketing strengths should ensure growth in the overall business.

With Ferranti, Thomson-CSF already has an agreement to collaborate on the next but one generation of radar for fighter aircraft. The two are now working on separate projects – Ferranti on a bid for the European Fighter Aircraft radar, and Thomson on the radar for the French Rafale fighter. But they envisage a joint "active array" system for the mid-life update of both aircraft in about 15 years' time.

The BAe-Thomson missile link is likely to lend force to the campaign by Matra of France, another prominent missile company, to build up a strategic alliance with GEC-Marconi and Daimler-Benz of West Germany. Matra is due to announce this week a merger of its space business with GEC's Marconi Space Systems.

If all these moves go ahead, they will go some way towards fulfilling the recent prediction of Professor Roland Smith, the BAe chairman, that the European arms industry could boil down to three or four "major players" by the mid-1990s.

THIS WEEK

IF THEY can tear themselves away from hour to hour trading in equities, financial markets will this week be watching a variety of economic data for an indication of UK economic activity, and awaiting Thursday evening, when the Chancellor gives his annual speech to the City at the Mansion House in London.

Today's provisional figures for September retail sales should provide further evidence of how consumer spending is responding to high interest rates. In August, retail sales rebounded from the lows of the early summer with a monthly rise of 0.4 per cent, but the underlying picture is of subdued domestic demand. The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for a 0.3 per cent rise in September retail sales.

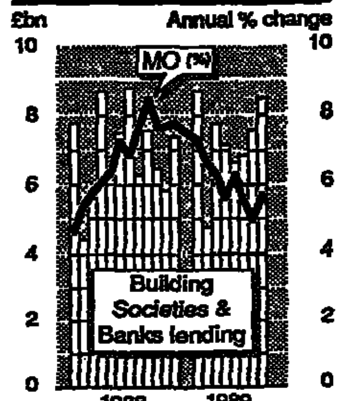
UK industrial production data for August is also due today, and the MMS international consensus forecast is for a monthly rise of 0.5 per cent, compared with July's rise of 1.8 per cent.

Thursday is a busy day. Foreign exchange dealers are looking to Mr Nigel Lawson's Mansion House speech for an indication of his exchange rate policy, and possibly a reference to when Britain might fully join the European Monetary System.

The markets are likely to be disappointed. The Chancellor has already said that he will not discuss the EMS, but there have been hints that he might announce a change in funding policy.

Also due on Thursday are UK unemployment data for September, average earnings for August and money supply figures for September. The last two will provide evidence of any further inflationary pressures in the UK economy.

The MMS International consensus is for unchanged growth in M0 of 1.7 per cent,



and 1.8 per cent growth in M4, while M4 bank lending is expected to fall from £8.4bn in August to £7.2bn. The underlying annual growth rate in average earnings is forecast to rise from 9.25 per cent to 9.5 per cent.

UK unemployment is expected to fall by 25,000, but analysts warn that the latest rise in interest rates could see the downward trend in unemployment reversed.

In the US, all eyes will be on tomorrow's trade figures for August. The consensus of forecasts compiled by MMS International is for a deficit of $9bn, up sharply from July's $7.6bn as the strong dollar undermines the competitiveness of US exports and makes imports cheaper.

Another indicator of US economic activity is released on Thursday in the form of September consumer prices. A fall in food prices is expected to be counteracted by higher energy costs, and the consensus is for a rise of 0.4 per cent, compared with the flat growth in August.

Other events and statistics (with MMS International consensus in brackets) include:

Today: US industrial production for September. West German producer prices for September. France, industrial production for July.

Tomorrow: UK, public sector borrowing requirement (-£100m). Japan, industrial production for August. France, consumer prices for September.

Wednesday: US housing starts for September. West Germany, M3 money supply for September.

Thursday: West Germany, Bundesbank council meeting.

Friday: UK, third quarter consumer expenditure. Japan, personal income and consumption for August.

Top management appointments at UB

By Nikki Tait

UNITED BISCUITS, the foods and restaurant group, will today announce a series of senior management appointments – an extension of the changes began last May with the naming of new chairman to replace Sir Hector Laing when he retires next year.

Mr Jim Blyth, group finance director, is to retire at the end of 1990 and be succeeded by Mr John Warren, previously finance director of UB Brands. Mr Warren will spend time with UB's banking and financial advisers and in the US, until taking up his new post.

Mr Frank Knight, the deputy group chief executive, is taking responsibility for corporate services. These include research and development, planning, European personnel, and public affairs.

Meanwhile, all existing, non-US management and marketing operations in the food sector will be brought under the control of a new European group.

Its chief executive will be Mr Eric Nicoli, who joined UB as managing director of the UK biscuits subsidiary from Rowntree and is expected to succeed Mr Robert Clarke as chief executive of UB in a few years time. It was announced last May that Mr Clarke will succeed Sir Hector as chairman in May 1990.

Albert Fisher US purchase worth $17m

By Nikki Tait

ALBERT FISHER, the acquisitive fresh produce distributor, is extending its operations in northern California with the purchase of a fresh fruit and vegetable supplier called Royal Foods Company.

The consideration price, part of which is on a deferred profit-related basis, could be up to $17m (£11m).

Royal Foods is based in San Jose and supplies both fresh and pre-cut fruit and vegetables to restaurants, hotels, fast food outlets and the like.

It was founded in the sixties and remains a family-run business, employing around 160 people.

It made a pre-tax profit of $1.73m, after adjusting for certain non-recurring items, in the eight months to end-June, on sales of $16.8m. Net worth is put at $2.7m.

Fisher is funding the $11m initial purchase consideration via an $8.8m cash payment and the balance in new shares. Of the maximum additional consideration of $6m, the company will pay 80 per cent in cash and up to 20 per cent - at Fisher's option - in further shares.

The earnout is based on the profitability of Royal Foods in the 26-month period to end-August 1991. It will pay $5 for every $1 of pre-tax profit made by Royal between $6m and $7.2m.

Fisher says that the acquisition will broaden its coverage in northern California, and that it should also strengthen the group's central buying operations. Royal is expected to work in co-operation with Lee Ray-Tarantino, an existing Fisher subsidiary in the Californian market.

BANK RETURN

BANKING DEPARTMENT	Wednesday October 11, 1989		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	76,126,136	+	1,600,543
Bankers Deposits	1,471,321,026	-	65,267,796
Reserve and other Accounts	2,402,226,767	+	38,109,058
	3,964,226,929	-	25,558,195
ASSETS			
Government Securities	1,582,768,534	-	398,058,250
Advance and other Accounts	952,940,871	+	49,425,430
Premises Equipment & other Secs	1,442,346,627	+	328,390,708
Notes	5,959,194	-	5,322,768
Coin	213,703	+	4,687
	3,964,226,929	-	25,558,195
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,014,040,806	-	34,677,232
Notes in Banking Department	5,959,194	-	5,322,194
	15,020,000,000	-	40,000,000
ASSETS			
Government Debt	11,015,000		
Other Government Securities	14,608,318,169	-	243,503,760
Other Securities	400,666,731	+	203,503,760
	15,020,000,000	-	40,000,000

DIARY DATES

Trade fairs and exhibitions: UK

Current
British Designer Show (01-385 1200) (until October 17) Olympia

October 18-19
Hotel, Catering and Leisure Industry Technology Exhibition - HOTECH (01-978 2050) Kensington Exhibition Centre

October 19-20
Law Society National Conference and Exhibition (0423 530088) Harrogate Exhibition Centre

October 19-29
London Motor Fair (01-385 1200) Earls Court

October 22-25
Home Interiors Exhibition (01-385 1200) Olympia

October 24-26
International Leisure Business Week Exhibition (0372 372842) NEC, Birmingham

October 24-26
Omnec: The fibre optics users exhibition and conference (0223 242946) Barbican, London

October 26-29
National Knitting Exhibition (0272 701370) NEC, Birmingham

November 1-3
Information Technology Exchange Exhibition - ITEX (01-948 9800) Olympia

November 2-5
London Money Show - MONEY (01-940 2244) Olympia

November 7-9
International Banking Exhibition (01-749 9635) Barbican

November 7-12
Kensington Antiques Fair (04868 22562) Kensington Town Hall

November 11-19
Caravan, Camping & Holiday Show (01-222 9341) Earls Court

November 12-16
Wholesale Buyers' Gifts Fair (01-855 9201) Olympia

Overseas exhibitions

Current
International Robotics, CAD/CAM, Automation Engineering Exhibition - PRODUCTIQUE (01-225 5566) (until October 20) Paris

October 23-27
International Electronics, Computers, Materials and Semi-Conductors Exhibition - IECM (01236 2399) Beijing

October 31-November 2
International Clothing Textiles Trade Fair - INTERSTOFF (01-734 0543) Frankfurt

November 8-11
International Office Environment Exhibition (01-486 1951) Tokyo

November 14-18
International Maritime Equipment and Inland Shipping Exhibition (01-495 7977) Amsterdam

November 15-19
International Machine Tools and Metalworkings Trade Exhibition and Conference - THAI METALEX (0494 729406) Bangkok

November 21-25
Furniture and Woodworking Machinery Show (01-379 0755) Taipei

Business and management conferences

October 16-17
Financial Times Conferences: Re-regulating Europe's financial sector (01-925 2323) Hotel Inter-Continental, London

October 24-25
International Business Communications: Third annual conference on the management and marketing of unit trusts (637 4383) London Marriott Hotel, W1

October 27
CBI Conferences: Manufacturing: Maintaining the momentum (01-379 7400) London

October 30
The Watt Committee on Energy: Energy: Today's decisions, Tomorrow's world (01-379 6875) Guildhall, London

October 30
The Institution of Mining and Metallurgy: Mining finance (01-580 3802) London

October 31-November 2
Blenheim Queensdale: UK National Conference on Paperless Trade Queen Elizabeth II Conference Centre

October 31-November 2
Financial Times City Seminar (01-925 2323) Plaisterers Hall, City of London

November 2
Concorde Services: Advertiser supported TV: threat or opportunity? (01-743 3106) Hilton Hotel, London

November 3
The Chartered Institute of Management Accountants: Practical pricing policies (01-637 2311) Crowne Plaza Hotel, Manchester

November 6-7
Financial Times Conferences: Business with Spain - strategies for 1992 and beyond (01-925 2323) Palace Hotel, Madrid

November 10
HS Conference Studies: The probate and estate planning secretary today (01-936 2382) The Park Lane Hotel, London

November 13-14
AIDA International: Trade in the single European market (Brussels 32(0)2 345 99 23) Copenhagen

November 14-16
Blenheim Online: Computers in the City (01-868 4466) Barbican Centre

November 14-15
FT Conferences: World Shipping (01-925 2323) Amsterdam

November 16
The Henley Centre: The UK economy in the 1990's (01-353 9961) Cavendish Conference Centre, London

November 16-17
FT Conferences: World Electricity 01-925 2323) Hotel Inter-Continental, London

November 17
Acquisitions Monthly: Post-acquisition management (0823 332023) Portman Hotel, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL

TODAY
COMPANY MEETINGS-
Benchmark, Baltic Exchange, 14-20, St. Mary Axe, E.C., 5.30
BOARD MEETINGS-
Finals:
Highland Distilleries
Manganese Bronze
Interims:
Kingston Oil & Gas
New Ireland
Northern Foods
Rands Mines Group
Walker (J.O.)
Waterford Wedgwood
Westerly
Whittington
DIVIDEND AND INTEREST PAYMENTS-
Aspen Comms. 2.4p
B.B.L. Intl. $271.40
British Assets Tst $4\frac{1}{2}$pc Pf 1.575p
Do. "A" 5pc Pf 1.75p
Campari Intl. 2p
Chrysler 30cts
EW Fact 1p
Fleming O'seas Inv Tst 2.5p
Ford Sellar Morris Props. 3.5p
Gardner (DC) 1.1p
Hibernian Ir1.6p
IMI 3.5p
Life Sciences Intl. 0.8p
Midland Bank 7.3p
Molins 2.5p
Oesterreichische Landerbank Fltg Rate Sub Nts $271.40
Portmeirion Potts 1.8p
Sea Containers 52.5cts
Sherwood Computer Services 0.75p
Swansea (City of) $13\frac{3}{4}$pc 2005 $6\frac{7}{8}$pc
Tate & Lyle $9\frac{3}{4}$pc Nts 1992 $4\frac{7}{8}$pc
Treasury $2\frac{1}{2}$pc I-L 2020 £1.6844

TOMORROW
COMPANY MEETINGS-
Brunning Group, Confederation of British Industry, 103, New Oxford St, W.C., 10.30
Charterhall, Institute of Chartered Accountants, Moorgate Place, E.C., 11.00
Goodhead Group, 30, Furnival Street, E.C., 12.00
Howard Hldgs., Kingston Lodge Hotel, Kingston Hill, Kingston-Upon-Thames, Surrey, 10.30
Kingsgrange, Butchers' Hall, Bartholomew Close, E.C., 10.00
Pifco, Stanneylands Hotel, Stanneylands Rd, Wilmslow, Cheshire, 9.30
Practical Invs., 27, The Minories, E.C., 12.30
Ricardo Grp., St. Ermine's Hotel, Caxton Street, S.W., 12.00
Sinclair Goldsmith, The Inn on the Park, Park Lane, W., 12.00
BOARD MEETINGS-
Finals:
Alba
Allied Restaurants
Amstrad
Attwoods
Castle Comms.
Exmoor Dual Trust
Farnell Electronics
Fleming Japanese
Molyneux Estates
Ramus
Thorntons
Interims:
Boosey & Hawkes
Cohen (A.)
Derwent Valley
Geers Gross
Hunting
Jackson Group
Kymmene Corp.
Paterson Zochonis
Roskel
Serif Cowells
Thomson Corp.
Tudor
DIVIDEND AND INTEREST PAYMENTS-
Abbey National FRN's 2000 £351.30
Adscene 4p
Aitken Hume Intl. 0.5p
Anglia Building Society FRN's Jan 1998 £177.23
Bank of New York O'seas Finance Gtd FRN's Jan 1995 $225.81
Charterhall 1.1p
Citicorp O'seas Finance Gtd FRN's 1992 $222.01
Coronation Syndicate 5cts
Fluor 4cts
Hamilton Oil 2.5cts
Linread 1.6p
Nationwide Building Society FRN's 1998 £176.12
Pifco 7p
Do. "A" 7p
Practical Inv. 2.21p
Murray & Elder 5.5p
Scandinavian Finance Fltg Rate Ser Nts April 1993 $437.17
3i Group FRN's 1994 £177.23
Tweefontein United Collieries 35cts
Wells Fargo Fltg Rate Sub Nts July 1997 $223.19

WEDNESDAY OCTOBER 18
COMPANY MEETINGS-
Abingworth, Dukes Hotel, St. James's Place, St. James's Street, S.W., 3.00
Automagic Holdings, A.M. House, Coldharbour Lane, Harpenden, Herts., 10.00
Joe Holdings, 20, Fenchurch Street, E.C., 12.30
Lynx, Fountain Precinct, Balm Green, Sheffield, W. Yorkshire, 10.30
Macro 4, The Brewery, Chiswell Street, E.C., 12.00
Miller & Santhouse, Trials Hotel, 56-62, Castle Street, Liverpool, 12.00
Saville Gordon (J), Edgbaston Assembly Rooms, 2, Sterling Road, Birmingham, 10.30
Smith (W.H.), Millbank Tower, S.W., 11.30
BOARD MEETINGS-
Finals:
Beazer
Synapse Computer Services
Interims:
Boot (Henry)
Bracken Mines
British Shoe Corp.
Broadstoner Holdings
Chesterfield Properties
City of Oxford Trust
Davies & Newman Holdings
Hawker Siddeley
House of Lerose
Kinross Mines
Leslie Gold Mines
Midland & Scottish Resources
Petrocon
Runciman (Walter)
Unisel Gold Mines
Winkelhaak Mines
DIVIDEND AND INTEREST PAYMENTS-
Allied London Props $5\frac{3}{4}$pc Pf 2.875p
American Tst 1.4p
Conversion $9\frac{1}{2}$pc 2005 4.75pc
Echlin 17.5cts
Edinburgh Fund Managers 4.2p
Gartmore European Tst 3p
Home Counties Newspapers 2.5p
Howard Hldgs. 0.9p
Johnson, Matthey 4p
Northern Rock Building Society FRN's 1995 £177.23
Nova Scotia (Province of) $11\frac{3}{4}$pc Ln 2019 $5\frac{7}{8}$pc
Scimitar Worldwide Selection Fd Pf (US Dollar) 45cts
Do. *Pf (Sterling) 53p*
Do. Pf (ECU) 30cts
Do Pf (Worldwide Bond) 41cts
Tilbury 10p

THURSDAY OCTOBER 19
COMPANY MEETINGS-
Elbief, Prince of Wales Lane, Birmingham, 12.00
Newmark (Louis), Connaught Rooms, 61-65, Great Queen Street, W.C., 11.30
BOARD MEETINGS-
Finals:
CDFC Trust
Regentcrest
Interims:
East Rand Gold & Uranium
Free State Cons. Gold
Gerrard & National
Harding
Mexico Fund
Orange Free State Invs.
Scottish Mortgage & Trust
Transvaal Group
Welkom Gold
DIVIDEND AND INTEREST PAYMENTS-
Ashtead 1.85p
Brammer 4.5p
Candover Invs 2p
Rockwood 0.45p
Stat-Plus 1.75p
WSP 0.9p

FRIDAY OCTOBER 20
COMPANY MEETINGS
Black (Peter), The Brewery, Chiswell Street, E.C., 12.30 Border TV, Television Centre, Carlisle, 12.00
BOARD MEETINGS-
Interims:
Eastern Produce
Jentar
Ocean Wilsons
DIVIDEND AND INTEREST PAYMENTS
Anglo American Indl. 24.932p
Chieftain 1.8p
Cooper (Alan) 2.8p
Dean & Bowes 2.75p
English & Scottish Investors 0.85p
Ewart 1.5p
Excalibur Group 0.75p
Hickson Intl. 2.8p
Holt (Joseph) 7p
Islington 11.8pc 2017 5.85pc
Jones & Shipman 1.5p
Porvair 0.9p
Queens Moat Houses 1.08p
Rivoli Cinemas 147p
Scottish Heritable Tst. 3p
Second Alliance Tst. 20p
Do. $4\frac{1}{2}$pc Pf 1.575p
Ultramar 3p
Wells Fargo 90cts
Wentworth Intl. 1.9p
Wholesale Fittings 12.75p

SATURDAY OCTOBER 21
Finals:
Lowland Inv.
DIVIDEND AND INTEREST PAYMENTS-
Elbief 1.34p

PARLIAMENTARY

Today

Lords: Employment Bill, committee.

Tomorrow

Commons: Debate on Griffiths Report on community care.
Lords: Greater Manchester (Light Rapid Transit System) (No. 3) Bill, third reading.
Midland Metro Bill, third reading.
Licensing and Clubs (Amendment) (Northern Ireland) Order.
Select committees: Employment: subject, the proposed European Social Charter. Witness: Commissioner Vasso Papandreou (Room 8, 3 p.m.)

Wednesday

Commons: Debate on 1989 defence estimates.
Lords: Self-Generating Schools (Scotland) Bill, committee.
Employment (Age Limits) Bill, third reading.
Select committees: Trade and Industry: subject, British Shipbuilders. Witnesses: Mr Christopher Campbell, chairman, and board members, Mr Douglas Hogg, Industry Minister and DTI officials.(Room 15, 10.45 a.m.)

Thursday

Commons: Continued debate on 1989 defence estimates.
Lords: Local Government and Housing Bill, report.

Friday

Commons: Debate on top-up loans for students.

CONSTRUCTION CONTRACTS

Birmingham indoor arena

JOHN LAING CONSTRUCTION has won a £51m design and construct contract from Birmingham City Council for the National Indoor Arena in Birmingham. It will have a space-frame roof, and seating for 12,000. The structure will be of reinforced concrete. *Multi-storey car parks* will take 2,600 cars. Completion is scheduled for May 1991.

A £16m contract from BP International is for offices and laboratories at its research complex in Sunbury. The reinforced in situ frame will be clad with granite and curtain walling.

Kumagai Gumi in conjunction with Ranelagh Development has awarded a £12.5m *contract to construct* nine floors of offices, and four flats, at 14/15 Stanhope Gate, West London, to be completed by February 1991.

Phase One redevelopment of Risley Remand Centre is being undertaken under a £10.7m contract which includes two blocks of living accommodation, each with 192 cells.

Other work includes a £5.4m contract *for phase 2A at the* Countess of Chester Hospital, and a £1.1m production unit for BP Ventures at Farnborough.

Edinburgh offices project for Royal Bank of Scotland

SIR ROBERT McALPINE CONSTRUCTION MANAGEMENT has been appointed by RBS Property Developments as construction manager for the £40m first phase on an administration building in South Gyle, Edinburgh, for occupation by the Royal Bank of Scotland.

On a 7.4 hectare site bounded by South Gyle Crescent to the east and Redheughs Avenue to the north, this phase will provide 26,800 sq metres floor space.

Comprised of three-storey modules, the building predominantly provides open plan offices and a lower ground floor which will contain car parking and central plant. The offices are arranged around central top-lit atria, and each module is served by escape stairs and local plant rooms in service towers at the corners.

Supported by large diameter bored piles, the structure will be of reinforced concrete columns supporting in-situ concrete coffered floors and roof. The perimeter service towers will be constructed in in-situ concrete and clad in natural stone.

External walls to the offices will have opening windows and projecting glass-clad solar screens and access walkways. The roof is generally flat and of "inverted" construction, with a continuous mono-pitched aluminium-clad perimeter parapet screening roof-mounted plant. Completion is due in April 1992.

Brighton office development

FAIRCLOUGH BUILDING has been awarded orders worth over £50m in Brighton, Basildon, Felixstowe and Ashford.

The largest is the construction of Trafalgar Place, a £35m high-specification office complex next to Brighton rail station.

Five blocks of offices, rang*ing between five and seven* storeys, are grouped around a landscaped piazza with a fountain. They will be built to open-plan form, with suspended ceilings, raised floors, full air-conditioning and quality finishes. One block will also comprise shops and flats, with a penthouse flat taking it up to eight storeys.

The 300,000 sq ft development with underground parking is being constructed for AMEC Properties/Ewbank Preece. The project is scheduled for completion in May 1991, when 130,000 sq ft of the development will be available *for letting.*

Fairclough is providing additional car parking for the Eastgate Shopping Centre in Basildon. The £5m project includes a four-storey concrete-framed car park, with a covered access to the centre.

At Ashford, Kent, the company is to construct a £3m 100-bed Holday Inn Garden Court Hotel for the Firoka Group on a design and construct basis.

Fairclough has a £7m fast-track contract for an industrial scheme in Felixstowe. Two high-technology units, over 10,000 sq metres in area, will be *built in Carr Road, near Felix*stowe Docks for Schlumberger Industries. Containing production, office and warehousing accommodation, the units, one single-storey, one two-storey, will be used for the manufacture of electronic metering and measuring equipment.

£30m workload for Dew Group

DEW GROUP has won orders totalling over £30m. A £5.5m contract for Yorkshire Water Authority is for construction of humus tanks at Knostrop sewage treatment works, near Leeds. North West Water has placed contracts for civils works at Cowpe WTW and Oswestry WTW totalling £4m.Other orders include a CEGB contract at Fiddlers Ferry (£2.1m) and further works at Salford Quays for the City of Salford (£1.1m). Building contracts total £10m. The piling division has orders totalling over £4m.

Leisure complex for Pearl staff

RATTEE AND KETT has been awarded contracts totalling £18m.

The largest, valued at £3.5m, is for an indoor sports and leisure complex at Castor, Peterborough, for Pearl Assurance. Construction involves a timber glulam frame with brick and stonework cladding. Once complete, the centre will provide Pearl employees with a comprehensive range of indoor facilities including a sports hall, squash and badminton courts, bowls, snooker, a function room and refreshment areas.

In Hitchin, a £2.8m contract from North Hertfordshire District Council is for a swimming pool, a splash pool and first floor cafeteria with open-air terrace.

A £1.7m contract is underway for the Sue Ryder Foundation, at Thorpe Hall, Peterborough. It entails a refurbishment of the Cromwellian mansion to provide residential nursing accommodation for the terminally ill.

Also in Peterborough is a £1.2m design and build project, for a parcel distribution centre for Freemans Mail Order. At Cambridge Science Park two high-technology headquarter projects, worth £1.8m and £1.2m respectively, are underway for Tadpole Technology and Sun Micro Systems.

Among other awards are: various projects at studs in Newmarket totalling £2.9m; an assembly and office unit at Pinnacle Estate, Harlow, for CD Monninger; a radar control tower for the PSA at RAF Honnington, Suffolk (£185,000); refurbishment and improvements at Hills Road Sixth Form College, Cambridge (£300,000); and restoration works in Cambridge at Kings College, Fitzwilliam Museum and Magdalene College.

Channel Tunnel project

KIER MANAGEMENT, a Beazer company, has been appointed co-cordinating contractor for the £60m North Pole Depot, an important element of British Rail's Channel Tunnel project.

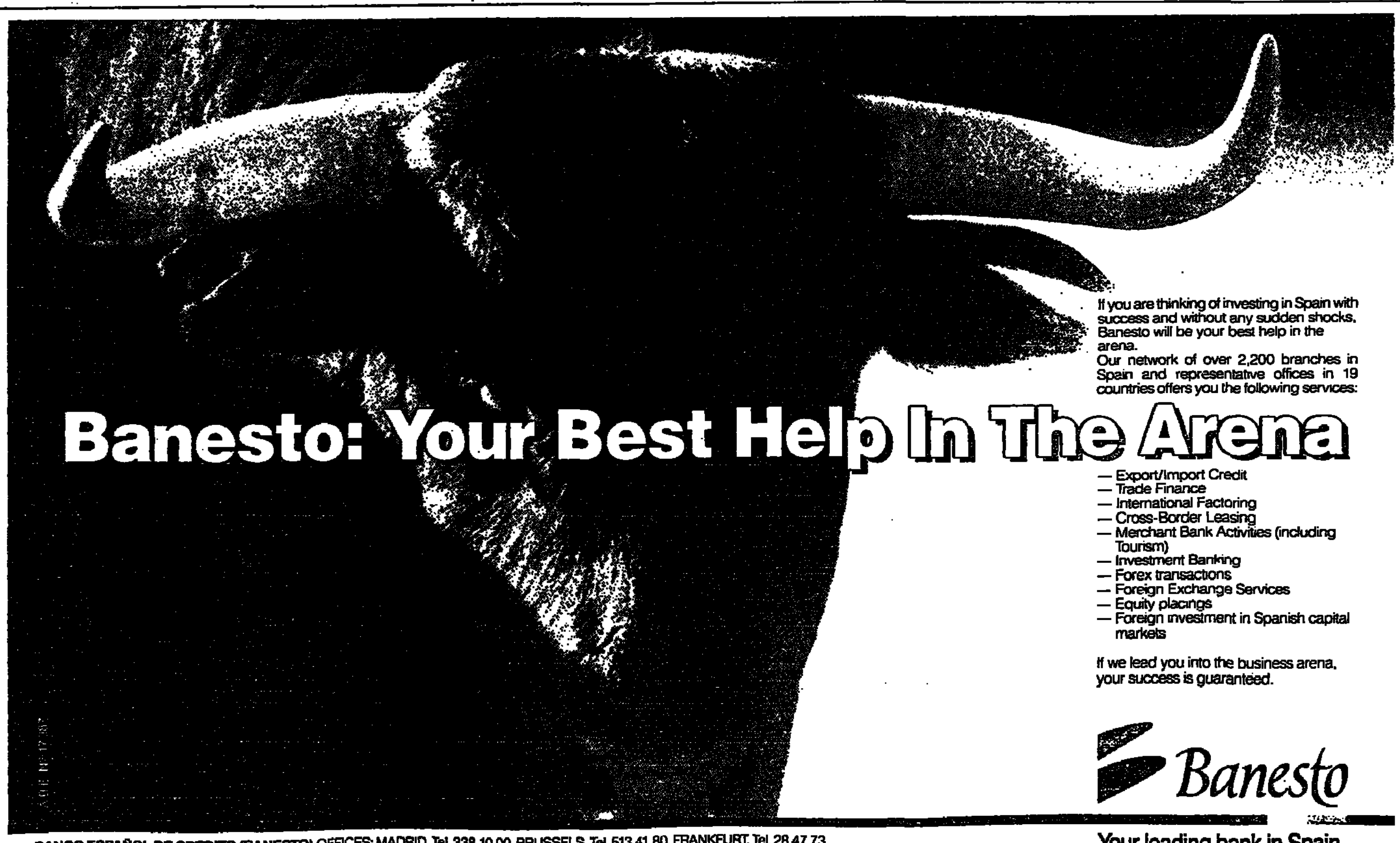
To be built at Wormwood Scrubs, West London, it will service the fleet of high-speed passenger trains capable of reaching nearly 200 mph. As co-ordinating contractor, Kier will be responsible to BR for co-ordination, administration and management of both the design and construction phases.

The depot will be built at the former western region marshalling yards, near Wormwood Scrubs. The site is some 3 km long with an average width of only 70 metres.

Works include a servicing shed 413 metres long by 36 metres wide and a repair shed 215 metres by 32.3 metres with amenity blocks and ancillary building. Extensive and complex track works and services, two bridges and works to a tunnnel are included. The depot is scheduled for completion in 1992.

Cementation wins £20m

CEMENTATION companies in the building and civil engineering division of Trafalgar House have secured contracts worth over £20m. Among them is a £3m piling job at East India Dock redevelopment; construction of 25 storage igloos and roads at RAF Upper Hayford (£3.8m); refurbishment of the Drigg marine pipeline for BNFL (£3.4m); and driving 2km of underground roadways at Maltby colliery for British Coal (£3.6m).



FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	Ph-Dial
High Income						
American Income	6	58.77	59.39	63.19	4.34	40000
Gilts & Fixed Int	6	107.8	107.8xd	114.3	8.75	40001
High Inc Equity	6	130.8	133.4xd	142.0	4.47	40002
Worldwide Bond	6	205.4	205.4	217.7	4.87	40003
Capital Growth						
American Growth	6	211.4	213.3	227.0	0.84	40004
Asian Pacific	6	119.3	121.6	129.43	1.00	40005
Assets & Earnings	6	156.1	156.1	167.0	2.22	40006
Capital Reserve Acc	0	86.94	86.94	87.01	4.60	40007
Capital Reserve Inc	0	77.13	77.18	77.25	5.18	–
Comdty & Energy	6	112.7	115.8xd	123.2	1.54	40009
1992 Enterprise	6	59.34	60.45	64.31	1.99	40097
Euro Capital Acc	6	99.08	99.82	106.2	0.71	40009
Euro Capital Inc	6	95.53	96.25	102.4	0.73	–
General	6	175.0	175.0xd	187.2	2.67	40010
International	6	56.91	57.76	61.45	0.81	40052
Japan	6	122.3	123.3	131.2	0.00	40011
Mastertrust	6	93.07	93.07	99.55	1.71	40012
UK Growth Acc	6	288.9	288.9xd	302.1	1.39	40013
UK Growth Dist	6	124.7	124.7xd	133.4	2.10	40014
US Emerging Cos	6	58.00	58.00xd	62.04	0.00	40015
Income & Growth	6	299.0	305.0	324.5	3.16	40016
Ethical	6	46.64	46.64	49.89	2.00	40017

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	Ph-Dial
Amer Inc & Growth	5¼	34.99	34.99xd	37.36	2.69	40019
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GUIDE TO UNIT TRUST PRICING

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	16.98	17.12	18.12	0.00	41588
Pacific Basin	5	31.48	31.48	33.48	0.60	41589
Can Balanced Gwth	5	53.31	53.31	56.71	6.10	41590
Wellington Fund Mngrs Ltd (1200)F						
2 London Bridge, SE1 01-407 4404						
Wellington Income	5¼	135.0	136.6	145.4	4.90	41595
Wellington Growth	5¼	225.7	228.0	242.5	1.15	41596
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	110.0	114.0	118.7	2.92	41595
Whittingdale Unit Tst Mngmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger	2½	60.69	60.69	62.19	0.27	41596
Short Dtd Gilt	1¼	81.22	81.22	82.25	6.89	41597
Wilibro Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	198.1	200.7	213.5	2.47	40677
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						

	Bid Price	Offer Price	Yield Gross	City-line
Albany Life Assurance Co Ltd—Contd.				
Intl Fxd Int Fd Acc(z)	209.3	220.2	–	41698
Fixed Int Acc(z)	344.8	362.8	–	41694
Gtd Money Fd Acc(z)	240.9	253.5	–	41695
High Income Fd Acc(z)	118.6	124.8	–	41696
Intl Man Fd Acc(z)	435.0	457.9	–	41697
Japan Fd(z)	511.8	538.2	–	41699
UK Smllr Co's Fd Acc(z)	113.0	118.9	–	41703
Citicorp British National				
Perrymount Road, Haywards Heath 0444 414111				
Managed	256.7	270.2	–	41817
International	299.7	315.5	–	41818
Property	267.7	281.8	–	41819
Equity	344.0	362.1	–	41820
New Technology	191.3	201.4	–	41821
American	128.8	135.6	–	41822
Crusader Insurance Plc				
Reigate, Surrey RH2 8BL 0737 242424				
Measured Performance	110.8	117.3	–	42145
Performance Plus	107.4	113.6	–	42146
With Profit Perform.	122.6	129.7	–	42147
UK Opportunity	135.5	143.4	–	42148
Assicurazioni GENERALI SpA				
117 Fenchurch St, London EC3M 5DY 01-488 0733				
Hambro Generali UK Gth	142.8	150.4	–	42324
Hambro Generali Ptfy	178.0	187.4	–	42325
Hambros Canadian	137.0	144.3	–	42326
Hambros Equity Inc.	152.7	160.8	–	42327
Irish Life Assurance Co Plc—Contd.				
Universal Pacific	131.2	138.1	–	42656
Univ Intl Spec Sit.	132.5	139.5	–	42657
Univ Intl Fxd Int	130.4	137.3	–	42658
Universal Property	89.9	94.6	–	42659
Universal Cash	109.8	115.6	–	42660
MGM Assurance(z)				
MGM House, Heene Rd, Worthing 0903 204631				
UK Equity Acc.	248.6	261.7	–	42890
Special Situations Acc.	226.8	238.8	–	42891
North American Acc.	194.3	204.6	–	42892
Pacific Basin Acc.	412.0	433.7	–	42893
NEL Britannia Assce Co Ltd—Contd.				
Mgd Gilt Edged Fd	106.2	106.2	–	46387
Mgd Bldg Soc Fd	115.5	115.5	–	46388
Mgd Currency Fd	115.9	115.9	–	46389
Deposit Fd	115.9	115.9	–	46390

OTHER UK UNIT TRUSTS

INSURANCES

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Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
American	131.0	138.0	–	43285
Building Soc. Fd.	174.0	184.0	–	43286
Balanced	285.0	300.0	–	43287
European	194.0	205.0	–	43289
GT Managed	192.0	203.0	–	43290
Gartmore Mngd.	129.0	136.0	–	43291
German	142.0	150.0	–	43292
Gilt	179.0	189.0	–	43293
Global	50.0	53.0	–	46834
High Inc	115.0	122.0	–	43294
International Equity	200.0	211.0	–	43295
Japan	275.0	290.0	–	43296
Managed	59.0	63.0	–	43297
Property	294.0	310.0	–	43298
R. W. Imperial Gold	158.0	167.0	–	43299
UK Equity	335.0	353.0	–	43300
Pension Funds				
American	163.0	172.0	–	43301
Building Soc. Fd.	178.0	188.0	–	43302
Balanced	223.0	235.0	–	43303
European	197.0	208.0	–	43305
German	129.0	136.0	–	43308
Gilt	156.0	165.0	–	43309
International Equity	148.0	156.0	–	43310
Japan	149.0	157.0	–	43311
Managed	64.0	68.0	–	43312
Property	225.0	237.0	–	43313
UK Equity	316.0	333.0	–	43314

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	Yield Gross	City-line
Pensions Managed Fund	96.35	101.86	–	42263
Pensions Cash Fund	80.63	84.87	–	42264

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Gwth Mngd.	615.9	649.0	–	43915
Adventurous Mngd.	134.2	141.5	–	46402
Secure Mngd.	110.8	116.8	–	46403
Cash Fd.	239.6	252.5	–	43316
Property Fund	294.7	313.6	–	43317
Equity Fund	699.6	737.2	–	43319
Fxd. Int. Fund	295.3	311.2	–	43320
International	342.3	360.8	–	43321
High Income	452.2	481.1	–	43322
Far East	458.1	482.8	–	43323
North American	315.5	332.5	–	43324
Special Sits	622.8	656.3	–	43325

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	Yield Gross	City-line
International Money	209.3	220.4	–	43532
North American	85.6	90.2	–	43533
Japanese	156.7	165.0	–	43534
European	109.6	115.4	–	43535
Special Situations	113.0	119.0	–	43536
Communications	108.9	114.7	–	43537
Smaller Companies	107.1	112.8	–	43538
International Small Cos.	149.4	157.3	–	46559

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	Yield Gross	City-line
Discretionary Oct 11	£165.36	170.61	–	43539
Equity Oct 11	£175.82	182.26	–	43540
International Oct 11	£30.19	30.86	–	43541
Intl Bond Oct 11	£12.88	13.05	–	43542
Fixed Int Oct 11	£73.27	74.08	–	43543
Index Linked Oct 11	£62.51	63.28	–	43544
Property Oct 11	£116.37	123.22	–	43545
Cash Oct 11	£21.7821	21.7821	–	43546
Pru-Linked Retirement Plan				
Managed Sept 26	399.4	416.1	–	43547
Cash Sept 26	204.5	213.1	–	43548
Prudential Pensions Investment Account				
Pens Mngd Oct 12	159.9	171.5	–	43549
Pens UK Eq Oct 12	294.6	317.5	–	43550
Pens Intl Oct 12	208.2	224.2	–	43551
Pens Fixed Oct 12	165.8	175.2	–	43552
Pens Index Lk Oct 12	158.8	167.6	–	43553
Pens Cash Oct 12	133.5	140.6	–	43554

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	Yield Gross	City-line
Aggressive Ptflio Fd.	121.4	127.7	–	43555
Balanced Ptflio Fd.	316.6	333.2	–	43556
Cautious Ptflio Fd.	123.2	129.6	–	43557
Elite Fund	109.5	115.2	–	43558
European Fund	95.8	100.8	–	43559
Far East Fund	110.5	116.3	–	43560
Fixed Interest Fund	244.7	257.5	–	43561
International Fund	298.8	314.5	–	43562
Money Fund	180.9	190.4	–	43563
N. American Fd.	128.7	135.4	–	43564
Property Fund	401.9	423.0	–	43565
UK Equity Fd.	377.5	397.3	–	43566
A.I.M. Erwin Dbin Fd.	101.7	107.0	–	43567
Smim Select Inc.	117.8	124.0	–	43568
Chart Safety First Bd.	107.2	112.8	–	43569
Exec Master Fd.	104.7	110.2	–	43571
Hardwick Growth Fd.	112.1	118.0	–	43572
Bentley Haig LR Port.	108.5	114.2	–	43573
Millbourne Spec Port.	124.1	130.6	–	43574
Smim Global Fd.	121.5	127.9	–	46120

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
601	Treas 5pc 1986–89	99¾xd	–	8.9	15 Apr 15 Oct	1329
174	Exch 10¼pcCv '89	99⅝xd	13.83	9.10	15 May 15 Nov	1256
1,000	Treas 13pc 1990‡‡	99⅞	14.13	8.6	15 Jul 15 Jan	1300
500	Treas 2pc IL '90(84.6)	132⅞	9.98	19.6	25 Jul 25 Jan	1311
1,400	Exch 11pc 1990‡‡	98⅝	14.19	12.7	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	99¼	14.43	16.8	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	95½xd	11.62	2.10	8 Nov 8 May	1325
600	Treas 8¼pc 1987–90‡‡	96⅝	13.80	9.5	15 Dec 15 Jun	1340
955	Treas. 8pc Cv 1990‡‡	96⅞	13.62	9.6	16 Jul 16 Jan	4680
1,887	Treas. 10pcCv 1990	96⅝xd	13.62	18.9	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	92⅛	10.36	17.4	22 May 22 Nov	1270
2,200	Treas 11¾pc 1991	98⅞	13.33	27.6	10 Jul 10 Jan	1292
400	Funding 5¾pc '87–91‡‡	92⅞	11.70	1.9	5 Oct 5 Apr	1275
400	Treas. 3pc 1991	89⅞xd	10.47	9.10	13 Nov 13 May	1326
646	Treas 10pc Cv '91‡‡	95⅞	12.82	27.6	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	96⅞xd	12.75	18.9	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	91⅞	12.72	4.5	10 Jun 10 Dec	1335
900	Treas 12¾pc 1992‡‡	101⅞	12.17	15.6	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	95⅞	12.36	17.7	21 Aug 21 Feb	1283
1,400	Treas. 8pc 1992‡‡	91⅞	12.04	6.9	13 Oct 13 Apr	1337
1,288	Treas 10¼pc Cv 1992‡‡	96⅞xd	12.07	2.10	7 Nov 7 May	1289
500	Treas. 3pc 1992	83⅞	10.28	5.5	11 Dec 11 Jun	1328
1,350	Exch. 12¼pc '92	100⅞	12.01	19.7	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	103⅞	11.87	31.8	22 Mar 22 Sep	1266
950	Treas 8¼pc 1993	90⅞	11.70	12.7	18 Aug 18 Feb	–
1,850	Treas 10pc 1993‡‡	95⅞	11.56	8.9	15 Oct 15 Apr	1279
1,100	Treas 12½pc 1993‡‡	102⅞	11.52	27.6	14 Jan 14 Jul	1296
600	Funding 6pc 1993‡‡	84⅞	11.03	9.8	15 Mar 15 Sep	1276
1,250	Treas 13¾pc 1993‡‡	107⅞	11.41	17.4	23 May 23 Nov	1304
1,050	Treas. 8½pc 1994	90⅞	11.41	27.6	3 Aug 3 Feb	–
600	Treas 14½pc 1994‡‡	111⅞	11.18	26.7	1 Sep 1 Mar	1307
1,100	Exch 13½pc 1994	107⅞xd	11.37	20.9	27 Oct 27 Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	95⅞	11.26	3.5	9 Dec 9 Jun	1284
1,550	Exch. 12½pc 1994	104⅛	11.34	17.7	22 Feb 22 Aug	1263
	Five to Fifteen Years					
1,600	Treas 9pc 1994‡‡	91⅞xd	11.11	11.10	17 May 17 Nov	1345
2,350	Treas 12pc 1995	102⅞	11.27	19.6	25 Jul 25 Jan	1294
229	Exch 3pc Gas 90–95	73xd	9.36	25.9	1 Nov 1 May	1271
2,100	Exch. 10¼pc 1995	96⅞	11.14	14.6	21 Jan 21 Jul	1254
1,000	Treas 12¾pc 1995‡‡	107½xd	11.02	9.10	15 May 15 Nov	1298
900	Treas. 14pc '96	112⅛	11.22	15.6	22 Jul 22 Jan	1305
750	Treas. 9pc 1992–96‡‡	91½	10.87	9.8	15 Sep 15 Mar	1344
1,350	Treas 15¼pc 1996‡‡	119⅞xd	11.05	27.9	3 Nov 3 May	1309
800	Exch 13¼pc 1996‡‡	110⅞xd	11.03	9.10	15 Nov 15 May	1268
1,109	Conversion 10pc 1996	95½xd	10.91	9.10	15 May 15 Nov	1240
1,500	Treas 13¼pc 1997‡‡	110⅞	10.99	15.6	22 Jul 22 Jan	1302
3,100	Exch 10½pc 1997	97⅞	10.90	17.7	21 Aug 21 Feb	1253
3,750	Treas 8¾pc 1997‡‡	89⅞	10.67	24.8	1 Mar 1 Sep	1341
1,000	Exch 15pc 1997	120⅞xd	11.10	20.9	27 Apr 27 Oct	1269
2,850	Exch. 9¾pc 1998	94⅞	10.75	12.6	19 Jul 19 Jan	1273
1,000	Treas 6¾pc 1995–98‡‡	79⅞xd	10.37	25.9	1 Nov 1 May	1331
1,100	Treas. 15½pc '98‡‡	125¼	10.92	24.8	30 Mar 30 Sep	1308
2,500	Exch. 12pc 1998	106¼	10.88	13.4	20 May 20 Nov	1259
1,250	Treas 9½pc 1999‡‡	94⅞	10.48	8.6	15 Jul 15 Jan	1347
2,900	Exch. 12¼pc 1999	108⅞	10.83	21.8	26 Sep 26 Mar	1264
1,252	Treas. 10½pc 1999	98¾xd	10.71	13.10	19 Nov 19 May	1288
1,548	Conversion 10¼pc 1999	97¼	10.69	17.4	22 May 22 Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	88	10.41	21.6	28 Jan 28 Jul	1338
1,554	Conversion 9pc 2000‡‡	91⅞	10.43	28.7	3 Sep 3 Mar	1244
1,817	Treas. 13pc 2000	113⅞	10.82	27.6	14 Jan 14 Jul	1299
1,050	Treas 10pc 2001	96⅝	10.49	20.7	26 Aug 26 Feb	1280
1,250	Treas. 14pc '98–01	116	11.07	17.4	22 Nov 22 May	1306
802	Conversion 9¾pc 2001	95⅞	10.45	4.7	10 Feb 10 Aug	1248
1,600	Exch. 12pc '99–02	106⅛	10.91	15.6	22 Jul 22 Jan	1261
716	Conversion 10pc 2002	97⅛	10.49	4.9	11 Oct 11 Apr	1241
1,450	Treas 9¾pc 2002	95⅞	10.32	21.7	27 Feb 27 Aug	1349
1,300	Exch. 9pc 2002	90⅞xd	10.26	13.10	19 May 19 Nov	1272
1,800	Treas. 13¾pc 2000–03	117⅞	10.86	19.6	25 Jan 25 Jul	1303
1,000	Treas 10pc 2003	98⅞	10.22	2.8	8 Mar 8 Sep	1281
1,900	Treas. 11½pc 2001–04	105⅞	10.65	14.8	19 Sep 19 Mar	1290
900	Treas. 10pc 2004	98⅞xd	10.17	12.10	18 Nov 18 May	1282
443	Funding 3½pc '99–04	55⅝	8.95	29.6	14 Jan 14 Jul	1274

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	Over Fifteen Years					
1,362	Conversion 9½pc 2004	95⅞xd	10.09	18.9	25 Apr 25 Oct	1246
1,881	Conversion 9½pc 2005	95⅞xd	10.05	11.9	18 Oct 18 Apr	1247
1,050	Exch. 10½pc 2005	103⅞	10.04	14.8	20 Mar 20 Sep	1251
2,200	Treas. 12½pc 2003–05	116⅞	10.27	14.4	21 May 21 Nov	1295
1,800	Treas. 8pc 2002–06‡‡	84⅞	9.96	1.9	5 Apr 5 Oct	1334
702	Conversion 9¾pc 2006	98¼xd	9.98	9.10	15 May 15 Nov	1249
3,150	Treas. 11¾pc 2003–07	110½	10.27	15.6	22 Jul 22 Jan	1293
1,446	Treas 8½pc 2007‡‡	89	9.81	9.6	16 Jan 16 Jul	1339
1,250	Treas. 13½pc '04–08	124¾	10.19	21.8	26 Sep 26 Mar	1301
1,800	Treas. 9pc 2008‡‡	93⅝	9.74	6.9	13 Apr 13 Oct	1343
1,000	Treas 8pc 2009	85⅛	9.69	21.8	25 Mar 25 Sep	1336
369	Conv 9pc Ln 2011‡‡	94⅛	9.65	29.6	12 Jan 12 Jul	1245
1,000	Treas 5½pc 2008–12‡‡	63⅛	9.46	4.8	10 Mar 10 Sep	1330
700	Treas. 7¾pc 2012–15‡‡	82⅞	9.61	19.6	26 Jul 26 Jan	1332
1,000	Exch. 12pc '13–'17	121⅛	9.67	8.5	12 Jun 12 Dec	1260
	Undated					
359	Consols 4pc	41⅛	–	26.6	1 Feb 1 Aug	1239
1,909	War Loan 3½pc‡‡	36½	–	25.4	1 Jun 1 Dec	1352
140	Conv. 3½pc '61 Aft	62¼	–	25.8	1 Apr 1 Oct	1243
56	Treas. 3pc '66 Aft	32⅝	–	1.9	5 Apr 5 Oct	1324
276	Consols 2½pc	25⅞	–	1.9	5 Ja Ap Jul Oc	1238
475	Treas. 2½pc	25⅝	–	25.8	1 Apr 1 Oct	1315
	Index-Linked (b)		(1)			
650	Tr. 2pc '92‡‡(97.8)	109⅞	4.39	17.8	23 Mar 23 Sep	1312
400	Do. 2 '94 (102.9)	101⅞xd	3.93	10.10	16 Nov 16 May	–
1,000	Do. 2pc '96(67.9)	150⅞	3.64	10.8	16 Mar 16 Sep	1313
900	Do 2½pc '01(78.3)	126⅞	3.79	18.8	24 Mar 24 Sep	1316
800	Do. 2½pc '03(78.8)	123⅞	3.83	13.4	20 Nov 20 May	1317
1,200	Do. 2pc '06(69.5)	126¼	3.80	12.6	19 Jan 19 Jul	1314
950	Do. 2½pc '09(78.8)	118⅞	3.79	13.4	20 Nov 20 May	1318
1,350	Do. 2½pc '11(74.6)	123⅛	3.77	17.7	23 Feb 23 Aug	1319
1,100	Do. 2½pc '13(89.2)	102¼	3.74	10.7	16 Feb 16 Aug	1320
1,700	Do. 2½pc '16(81.6)	110⅞	3.69	19.6	26 Jan 26 Jul	1321
1,400	Do. 2½pc '20(83.0)	108⅞	3.63	11.9	16 Oct 16 Apr	1322
900	Do. 2½pc '24‡‡(97.7)	91¼	3.58	12.6	17 Jan 17 Jul	1323

(1) Prospective real redemption rate on projected inflation of 5%... (b) Figures in parentheses show RPI base month for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1989: 111.8 and for September 1989: 116.6

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	Nationwide Anglia 11⅞pc 6.11.89	99⅞xd	16.31	9.10	30 Apr 6 Nov	–
20	Do. 12⅝pc 4.12.89	99⅞	15.70	28.4	28 May 4 Dec	–
20	Do. 12⅞pc 2.1.90	99⅞	15.46	30.5	2 Jan 28 Jun	–
20	Do. 12⅝pc 29.1.90	99⅞	15.34	23.6	29 Jan 23 Jly	–
–	Do. 12⅞pc 26.2.90	98⅞	15.23	21.7	26 Feb 20 Aug	–
–	Do. 12⅝pc 19.3.90	99⅞	15.19	–	19 Mr 13 Sep	–
20	Do. 13⅝pc 23.4.90	99⅞xd	15.17	18.9	23 Apr 17 Oct	–
20	Do. 13pc 14.5.90	98⅞xd	15.17	9.10	14 May 8 Nov	–
–	Do. 13⅞pc 4/6/90	99⅞	15.17	–	4 Jun 30 Nov	–
–	Do. 14⅝pc 2.7.90	99⅞	15.12	–	2 Jly 26 Dec	–
–	Do. 13⅝pc 23.7.90	98⅞	15.09			–
20	Do. 13⅞pc 13.8.90	98⅞	15.02			–
60	Do. 3⅞pcIL Ln 2021	105xd	4.40	22.6	30 Jan 31 Jul	3465

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
25	Met. Wtr. 3pc 'B'	46xd	10.62	1.8	1 Mar 1 Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	40	3.50	8.75	1.11	1 May 1 Nov	2763
4	Do. 6pc 28 Stb. Ass.	40xd	3	7.50	1.2	1 Feb 1 Aug	2762
–	Do 4pc Mixed Ass.	40xd	2	5.00	3.4	1 Apr 1 Oct	2761
1	Hung. '24 Ass.	80	2.75	3.57	3.5	1 May	2935
40	Hydro Quebec 15pc 2011	129⅞	15.00	11.35	27.10	31 May 30 Nov	–
30	Ireland 14½pc Ln 2016	120⅛xd	14.50	11.96	29.12	31 Jan 31 Jul	–
30	Ireland 9¾pc '91–96	91⅛xd	9.75	11.50	21.8	1 Mar 1 Sep	3002

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
50	African Dv Bk 11¼ Ln 2010	100⅞	11.02	1.12	4 Jan 4 Jul
100	Asian Dev Bk 10¼pcLn2009	97⅛	10.60	28.3	24 Mar 24 Sep
100	Australia 13½pc 2010	120⅞xd	10.98	23.12	28 Jan 28 Jul
100	Do. 11⅞pcLn2015	104⅞	10.90	22.3	26 Apr 26 Oct
75	Euro Inv Bk 11pc Ln 2002	101⅞	10.84	23.2	23 Mar 23 Sep
100	Do. 10⅞pc2004	96⅞	10.81	24.10	Apr Nov
75	Int–Am Dev Bk 12½pc 2003	110⅞	11.01	7.12	8 Jan 8 Jul
175	Do. 9¾pcLn 2015	92⅞	10.64	13.10	15 May 15 Nov
75	Mlysia 10⅞pcLn 2009	93½xd	11.59	23.12	31 Jan 31 Jul
50	Utd. Mexican States 16½pc 2008	115	14.28	24.1	18 Mar 15 Sep

CORPORATION LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
32	Birmingham 13½pc 1989	100½	11.20	20.4	20 May 20 Nov
45	Do. 11½pc 2012	102½xd	11.20	13.10	15 May 15 Nov
40	GLC 6¾pc 1990–92	86½xd	13.70	17.7	15 Feb 15 Aug
40	Leeds 13½pc 2006	117½	11.17	11.9	1 Apr 1 Oct
5	Liverpool 3½pc Irred	32xd	–	1.9	1 Ja Apr Jy Oct
25	LCC 6¾pc '88–90	92½	15.10	14.7	10 Jan 10 Jul
26	Do. 3pc '20 Aft	28xd	–	1.8	1 Mar Jn S D
7	Manchester 11½pc 2007	102½xd	11.20	29.9	25 Apr 25 Oct

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
14	NZ 7¼pc 1988–92	87½	12.40	1.12	1 Jan 1 Jul
–5	Rhod 2½pc Non-Asstd	208	–	–	1 Apr 1 Oct
4	Do. 4½pc 87–92 Asstd	84½	9.33	14.7	7 Feb 7 Aug

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
9,784.8	Abbott Laboratories‡	43xd	$1.40	2.1	11.7	Fb My Ag Nv	1503
245.3	Allegheny & W 1c	472xd	30c	4.0	–	–	–

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,637.4	Gillette $1	31⅛	96c	1.9	27.1	Mar Jun S D	2695
236.4	Gt American Bank Bk $1	721p	20c	1.8	28.10	Fb My Ag Nv	–
857.2	Greyhound $1½	22⅛	$1.32	3.8	30.5	Ja Ap Jy Oc	2778
772.4	Hasbro Inc 50c	14⅝	16c	0.7	1.8	Ja No Au My	–
2,320.1	Honeywell $1½	52⅝xd	$2.10	2.5	22.8	Mar Jun S D	2919
2,678.3	Houston Inds.‖	22⅞	$2.96	8.4	10.11	Mr Ju Se De	–
40,972.7	IBM Corpn $1¼	68⅝xd	$4.84	4.5	5.5	Mar Jun S D	2986
1.06	Image Storage/R.Sys.Ic.	50p	–	–	–	–	2961
1,596.1	Ingersoll-Rand $2	38¼xd	$1.20	2.5	16.5	Mar Jun S D	2979
2,058.4	Lockheed Crpn. $1	31½xd	$1.80	3.6	15.2	Mar Jun S D	–
322.6	Lone Star Inds $1	19⅞xd	$1.90	6.1	30.8	May Se N Mar	3216
824.0	Louisiana Land 15c.	26⅞xd	$1.00	2.4	29.8	Mar Jun S D	3222
802.5	Lowe's 50c	20¼	48c	1.5	11.7	Jan Ap Jly Oc	–
1,341.5	Manuf. Hanover $1.	27⅛	$3.28	7.4	26.6	Jan Ap Jly Oc	3279
2,086.3	Merrill Lynch $1	19¼	$1.00	3.2	31.10	Feb My Au N	3351
619.4	Molex Inc.	2441p	3.2c	–	–	–	3397
5,213.7	Morgan (JP) $2½	28⅞xd	$1.66	3.6	21.12	Jan Ap Jly O	3418
28,139.9	Morris (Philip)	28¼xd	$1.13	2.5	12.10	–	5161
11,250.2	NYNEX $1	52½	$4.36	5.3	27.6	F May Au N	4740
4.06	N'wide Legal Serv.‖	30p	–	–	–	–	5121
402.2	PHH Corp. ‖	24	$1.12	3.0	4.4	Ja Ap Jy Oct	–
–	♦Pacific Agr.‖	200p	–	–	–	–	–
1,861.1	Pacificorp $3¼	26¼xd	$2.76	6.2	18.7	Feb My Ag Nv	–
12,378.3	Pacific Telesis 10c.	28¾	$1.88	4.1	12.85	Fe My Au No	–
837.1	Pall Corp. 25c.	22⅝	48c	1.3	24.1	Fe My Au No	–
2,175.3	Pennzoil 83 1/3c.	53xd	$3.00	3.6	29.8	Mar Jun S D	3630
3,190.8	Quaker Oats $5	39⅛	$1.20	1.9	20.6	Jly Oc Jan Apr	3738
776.5	Rep NY Corpn $5	31¼xd	$1.28	2.6	12.9	Jan Apr Jly O	3814
4,583.3	Rockwell Intl. $1	15¼xd	78c	3.1	9.8	Mr Ju Se De	3847
7,785.9	Sears, Roebuck 75c.	27⅛	$2.00	4.7	23.8	Jan Apr Jly Oc	5191
11,142.7	Southwestern Bell $1.	37⅛	$2.60	4.4	5.7	Fb My Ag No	–
2,801.1	Sun Co. Inc. $1	26⅜xd	$1.80	4.3	7.8	Mr Ju Se De	4135
1,821.1	TRW Inc. 62½c	30¼	$1.72	3.5	8.8	Ma Ju Se De	4318
1,164.7	TW Services $5	22½	10c	0.3	11.11	Fe My Au No	–
5,905.9	Tenneco $5	39⅞	$3.04	4.8	8.8	Mr Je Sp Dc	4194
8,317.7	Texaco $6.25	34¼xd	$3.00	5.5	30.8	Mr Je Se De	4200
2,418.4	Texas Instr. $1	24⅛xd	72c	1.9	27.6	Ja Ap Jy Oc	5033
8,735.0	Time Inc. $1	91⅞	$1.00	0.7	22.2	Mr Ju Se De	4234
593.8	TRINOVA Corp.	17⅞	s68c	2.5	10.8	Mc Je Se De	4309
7,244.6	USX $1	23¼xd	$1.40	3.7	2.5	Mr Je Se De	4380
298.2	♦Unilab	321p	–	–	–	–	–
4,664.5	Utd. Technologies	35⅞xd	$1.60	2.8	23.5	Mr Je Sp Oc	4381
–	♦Unitech Inc.	144p	–	–	–	–	–
9,517.6	US West‖	47½	$3.76	5.0	14.4	Fb My Ag No	–
9,557.6	Waste Management $1	42⅝xd	60c	0.9	16.6	Ap Jly Oc Jan	4439
1,310.5	Whirlpool $1	18⅞	$1.10	3.7	28.2	Mr Ju Se De	–
2,326.2	Whitman Corp.	28¼	$1.02	3.1	6.6	Ap Jy Oc Ja	2981
2,795.4	♦Woolworth $3½	42⅜	$1.88	2.8	26.1	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	♦ABM Gold Corp ‖	170p	–	3.2	–	–	–
–	♦Abbot Energy Corp.	25½p	–	–	–	–	–
892.6	♦Amer. Barrick Res.	15⅛	–	–	–	–	–
–	♦Armeno	17p	–	–	–	–	–
–	♦Augmitto Explo.	17½p	–	–	–	–	–
1,806.4	Bk. Montreal ‖	17⅛	$2.12	6.6	2.8	Fb My Ag Nv	–
1,788.6	Bk. Nova Scot.‖	967xd	92c	5.2	30.6	Ja Ap Jn Oc	–
–	♦BC Gas $1	817p	60c	4.0	30.12	Fe My Au No	–
6,796.8	BCE ‖	23¼	$2.44	5.7	12.6	Ap Jy Oc Ja	–
1,120.2	♦Brascan‖	16½	88c	2.9	28.10	Ja Ap Jy Oc	–
28.7	♦Breakwater Res.	128p	10c	4.2	–	–	–
2,621.5	Can. Imp Bank‖	16⅞	$1.24	–	29.6	Fe My Au No	–
4,318.0	Can. Pacific ‖	14¼	76c	2.7	28.3	Ja Ap Jy Oc	–
17.8	Do. 4pc Deb £100.	39	4%	10.5	30.5	July Jan	2051
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

LEISURE

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
26.0	Airtours 10p	148	†6.25	5.6	3.7	Feb July	1540
116.1	Anglia TV	260	†7.75	3.9	3.7	Aug Jan.	1611
68.2	Avesco 1p	130	g1.15	1.2	3.7	October	1710
3.64	♦BCE Hldgs 5p	19	0.4	4.1	30.1	Sept Mar	1719
16.9	Barr & W.A.T. 'A'	348	†25.0	5.9	4.9	Oct July	1764
—	♥Bond Media	12	0.25	8.0	—	—	4832
17.3	Boosey & Hawkes	440	10.0	3.0	19.6	Jul Jan	1873
5.57	♦Border T.V.	55	2.0	4.8	18.9	Oct Feb	1878
186.3	Brent Walker 10p	367	†11.0	4.1	22.5	July Jan	1945
130.4	Do 6pc Cv.Cm.Rd.Pf	99	6.0	8.1	22.5	Jan July	1946
56.7	Buckingham Int'l. 10p	95	—	—	5.87	Jan May	3152
20.9	Campari Int. 20p	205	8.5	5.6	18.9	Oct May	2048
160.7	Capital Radio 10p	984	†10.0	1.4	22.5	Jan July	2068
1578.3	Carlton Commcns	844	†7.5	1.2	3.7	Apr Aug	2073
174.4	Do. 6.5p Prf	107	6.5	8.1	—	Jan July	4876
21.1	♦Castle Comms. 5p	428	†7.2	2.2	3.4	Apr Dec	2079
192.0	Central ITV	755	†25.5	4.5	3.4	Nov May	2091
40.3	Chrysalis	145	a3.43	3.2	17.7	Apr Aug	2134
135.6	♦Cityvision 5p	123xd	†10.5	0.5	2.10	Jun Nov	2150
11.5	Classic Th'breds Ir0.20	37	—	—	—	—	1383
226.4	Compass Group 5p	340	†17.2	2.8	19.6	Jan Jul	1687
49.1	European Leisure	99½	Q8%	2.0	3.4	Apr Dec	1413
14.3	Ex Lands 10p	63	0.5	1.1	25.4	May	2513
15.3	Expedier Leis. 20p	182	—	—	—	—	5932
20.8	Fairline Boats 10p	595	†13.5	3.0	19.6	Jan. July	2534
286.7	First Leisure	209	†2.93	1.9	4.9	Oct Apr	2569
20.7	♦GWR Group 20p	695	†3.0	0.6	14.8	September	4952
10.8	Grampian TVA 10p	69	3.0	5.8	8.5	Jan June	2752
1.82	♦Greenwich Comms	26	—	—	—	—	2772
83.7	HTV Ord	121	5.0	5.7	3.4	Nov. May	2797
33.8	Hi-Tec Sports	87	4.5	7.0	8.5	June Dec	5112
4.94	♦Int'l Media Comm. 5p	6½	—	—	9'85	—	2483
17.3	♦Imrica Sound 10p	200	R2.7	1.8	—	July Feb	5035
93.2	♦Kunick 10p	53½	†1.4	3.5	18.8	Mar. Jul.	4685
11.4	Do 7p Rd. Pf	111	7.0	8.4	18.9	Apr	5252
138.3	LWT 5p	215	†5.7	3.5	3.4	Jan Apr	5233
72.9	Leisure Inv 10p	49	‡s1.75	‡	3.7	Jan Aug	3151
75.9	♦Marina Dev. 50p	495	7.5	2.2	19.6	Oct Mar	3286
532.8	Metro Leisure 10p	171	†a4.56	3.6	22.5	Jul Jan	3326
275.9	Do. 7.25p Cv Rd Pf 20p	90	7.25	10.7	18.9	Mar Sep	1373

[illegible]

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.54	Rentaminster 5p	57	a1.85	4.3	—	Mar Oct	5228
10.5	Royal Sovereign 10p	190xd	†5.5	3.9	2.10	May Nov	1505
0.84	Scott Pickford 10p	12	d0.38	4.2	17.7	August	5062
8.75	Seacon Hldgs	126	†2.5	2.6	18.9	Oct May	3968
5.60	Sleepy Kids 5p	28	—	—	—	—	5063
3.68	Staks Hldgs. 5p	6xr	—	—	—	—	4625
2.14	Swanyard Studios 1p	1½	—	—	—	—	4666
0.62	Sysems Connection 2½p	5	—	—	—	—	5152
9.98	Tavern Leis. 20p	39	—	—	—	—	4867
9.63	Tomorrows Leisure 20p	86	—	—	—	—	4248
	For Tullow Oil see Oils & Gas						
3.02	UPL Group 10p	75	2.75	4.9	22.5	Dec. July	4362
7.44	Unit Group	144	5.0	4.6	3.7	Jan Aug	4357
7.30	Video Magic Leis. 1p	83	W2.0	3.2	—	Jan July	5071
6.40	Vista Ents 5p	7	—	—	—	—	3994
17.1	Vizcaya Hldgs 5p	32	—	—	—	—	4193
57.5	Whitegate Leisure 20p	37½	—	—	—	—	1105
1.67	Do. Wrrats	25	—	—	—	—	1116
28.0	Wilton Group 1p	6¼	—	—	—	—	3628

MOTORS, AIRCRAFT TRADES

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES – Contd

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -	Stock	Price	+ or -
Albany Inv 20p	96	......	Arnotts	450	......
Craig & Rose £1	830	......	Carrol (P.J.)	150	......
Finlay Pkg. 5p	71xd	-2	Hall (R. & H.)	175	-5
Holt (Jos) 25p	1358	......	Helton Hldgs	93	......
IRISH			IRG	228xd	......
Cap. 8½% Ln. 1991	£97¼	......	United Drug	136	......
9pc Cap Ln. 1996	£97½	......			
Fin. 13% 97/02	£118	......			

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42
Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28
Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26
Mines	
Cons Gold	150
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

POUND SPOT- FORWARD AGAINST THE POUND

Oct.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5460 - 1.5660	1.5635 - 1.5645	0.86-0.84cpm	6.52	2.45-2.42pm	6.23
Canada	1.8285 - 1.8400	1.8365 - 1.8375	0.50-0.42cpm	3.00	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar 4.71-4.66cpm 12 months [illegible].

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5460 - 1.5660	1.5635 - 1.5645	0.86-0.84cpm	6.52	2.45-2.42pm	6.23
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.92
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-3.44
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.30
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.20
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-2.69
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.42
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-6.78
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-5.38
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-3.72
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-2.69
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-1.34
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-3.22
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.36
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.06
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.69
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.86

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.80-39.90.

MONEY MARKETS

Inflation figures renew rate fears

FRIDAY'S NEWS of a sharp rise of 1.1 per cent in September West German wholesale prices - the market was expecting a figure of around 0.5 per cent - coupled with larger than forecast gains in US producer prices and UK retail prices did nothing to allay fears that interest rates may go yet higher in Europe. At the same time there were doubts that US rates would be cut.

UK clearing bank base lending rate 15 per cent from October 5

Government bond markets fell in Frankfurt, New York and London. Trading on Liffe in German bonds and Euro D-Mark futures reached record levels, at 55,619 and 15,840 contracts respectively.

On the Frankfurt money market call money rose to the Lombard rate of 8 per cent amid speculation that the Bundesbank might even increase official rates by another ½ per cent. The pressure for higher rates seemed to filter through the Euromarkets from New York, but dealers in Frankfurt were generally sceptical about any early move.

Fears of another rise in official Danish interest rates increased as the krone required support within the EMS on Friday. Dealers in Paris also said that they did not rule out another rate rise.

In London three-month interbank rose to 15⅜-15¼ per cent on Friday, as speeches during the week by the UK Prime Minister and her Chancellor at the Conservative Party Conference failed to reassure financial markets. Fear of another rise in base rates followed Mr Lawson's comment that he would "take whatever action is needed, however unpopular."

Nervousness was illustrated by a rise in the average rate of discount at the weekly Treasury bill tender. The rate on 91-day bills rose to 14.5687 per cent, from 14.3757 the previous week.

£ IN NEW YORK

Oct.13	Close	Previous Close
£ Spot	1.5805 - 1.5815	1.5510 - 1.5520
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.13	Previous
8.30 am	89.5	89.3
9.00 am	89.5	89.3
10.00 am	89.4	89.3
11.00 am	89.4	89.3
Noon	89.3	89.4
1.00 pm	89.2	89.1
2.00 pm	89.1	88.8
3.00 pm	89.3	88.8
4.00 pm	89.3	89.1

CURRENCY RATES

Oct.13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	7	[illegible]	[illegible]
Canadian $	12.46	[illegible]	[illegible]
Austrian Sch.	6½	[illegible]	[illegible]
Belgian Franc	10½	[illegible]	[illegible]
Danish Krone	10½	[illegible]	[illegible]
Deutsche Mark	6	[illegible]	[illegible]
Neth. Guilder	7	[illegible]	[illegible]
French Franc	10½	[illegible]	[illegible]
Italian Lira	13½	[illegible]	[illegible]
Japanese Yen	3¼	[illegible]	[illegible]
Norway Krone	8	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	9½	[illegible]	[illegible]
Swiss Franc	6	[illegible]	[illegible]
Greek Drach.	20½	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Oct.12

CURRENCY MOVEMENTS

Oct.13	Bank of England Index	Morgan Guaranty Changes %
Sterling	89.3	-21.8
U.S. Dollar	70.7	-5.9
Canadian Dollar	105.3	+17.7
Austrian Schilling	107.5	+10.4
Belgian Franc	106.7	-5.6
Danish Kroner	104.4	-0.8
Deutsche Mark	114.4	+21.6
Swiss Franc	106.5	+15.3
Guilder	111.3	+14.0
French Franc	100.4	-14.6
Lira	98.4	-19.5
Yen	137.5	+66.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for Oct.12.

OTHER CURRENCIES

Oct.13	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af (Cm)	[illegible]	[illegible]
S. Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

EURO-CURRENCY INTEREST RATES

Oct.13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.13	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.564	2.958	224.0	10.03	2.598	3.335	2171	1.837	62.15
$	0.639	1	1.891	143.2	6.413	1.661	2.132	1388	1.175	39.74
DM	0.338	0.529	1	75.73	3.391	0.878	1.127	733.9	0.621	21.01
YEN	4.464	6.982	13.21	1000.	44.78	11.60	14.89	9692	8.201	277.5
F Fr.	0.997	1.559	2.949	223.3	10.	2.590	3.325	2165	1.832	61.96
S Fr.	0.385	0.602	1.139	86.22	3.861	1	1.284	835.6	0.707	23.92
H Fl.	0.300	0.469	0.887	67.17	3.007	0.779	1	651.0	0.551	18.64
Lira	0.461	0.720	1.363	103.2	4.620	1.197	1.536	1000.	0.846	28.63
C $	0.544	0.851	1.610	121.9	5.460	1.414	1.815	1182	1	33.83
B Fr.	1.609	2.516	4.759	360.4	16.14	4.180	5.366	3493	2.956	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.13)	3 months US dollars		6 months US Dollars	
	bid 8¾	offer 8⅞	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm				
Prime rate	10½	One month	7.71	Three year 7.74
Broker loan rate	[illegible]	Two month	7.73	Four year 7.77
Fed. funds	[illegible]	Three month	7.75	Five year 7.83
Fed. funds at intervention	[illegible]	Six month	7.73	Seven year 7.84
		One year	[illegible]	10-year 7.86
		Two year	7.65	30-year 7.88

Oct.13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	7.90-8.05	7.90-8.05	8.00-8.20	7.95-8.15	8.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.50
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Oct.13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 14⅛ per cent; three months 14⅛ per cent; Bank Bills (sell); one-month 14⅝ per cent; three months 14⅝ per cent; Treasury Bills; Average tender rate of discount 14.5687 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 29, 1989. Agreed rates for period October 25 to November 25, 1989, Scheme I: 14.82 p.c., Schemes II & III: 15.27 p.c. Reference rate for period Sept 1, 1989 to Sept 29, 1989, Scheme IV&V: 14.018 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance House Base Rate 14 from October 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25, 1989. Deposits withdrawn for cash 5 per cent.

BANK OF ENGLAND TREASURY BILL TENDER

	Oct.13	Oct.6		Oct.13	Oct.6
Bills on offer	£500m	£500m	Top accepted rate of discount	14.6201%	14.3995%
Total of applications	£955m	£1356m	Average rate of discount	14.5687%	14.3757%
Total allocated	£500m	£500m	Average yield	[illegible]	[illegible]
Minimum accepted bid	£96.355	£96.410	Amount on offer at next tender	£500m	£500m
Allotment at minimum level	[illegible]	[illegible]	Ecu bills	[illegible]	[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	Oct.13	change		Oct.13	change
LONDON			NEW YORK		
Base rates	15	Unch'd	Prime rates	10½	Unch'd
7 day interbank	[illegible]	[illegible]	Federal Funds	[illegible]	[illegible]
3-month Interbank	[illegible]	[illegible]	3 Mth. Treasury Bills	[illegible]	[illegible]
Treasury Bill Tender	14.5687	+0.1930	6 Mth. Treasury Bills	[illegible]	[illegible]
Band 1 Bills	14½	Unch'd	3 Mth. CD	8.67	+0.16
Band 2 Bills	[illegible]	Unch'd	FRANKFURT		
Band 3 Bills	[illegible]	[illegible]	Lombard	8.00	Unch'd
Band 4 Bills	[illegible]	[illegible]	One mth. Interbank	7.90	+0.100
3 Mth. Treasury Bill	14⅛	[illegible]	Three month	8.10	+0.200
1 Mth. Bank Bills	[illegible]	[illegible]	PARIS		
3 Mth. Bank Bills	14⅜	[illegible]	Intervention Rate	9½	Unch'd
TOKYO			One mth. Interbank	[illegible]	[illegible]
One month Bills	[illegible]	[illegible]	Three month	[illegible]	[illegible]
Three month Bills	[illegible]	[illegible]	MILAN		
BRUSSELS			One month	[illegible]	[illegible]
One month	[illegible]	[illegible]	Three month	[illegible]	[illegible]
Three month	[illegible]	[illegible]	DUBLIN		
AMSTERDAM			One month	[illegible]	[illegible]
One month	8.23	+0.20	Three month	[illegible]	[illegible]
Three month	8.23	+0.20			

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 13 1989						THURSDAY OCTOBER 12 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	154.37	+6.8	146.33	133.58	+18.7	4.94	153.26	146.50	132.83	160.41	128.28	143.55
Austria (19)	171.87	+79.1	162.92	169.65	+91.4	1.44	169.74	162.26	168.30	172.22	92.84	92.26
Belgium (63)	142.31	+5.3	134.91	139.86	+12.4	3.96	142.67	136.37	141.26	144.47	125.58	126.88
Canada (122)	148.31	+18.1	140.59	126.13	+18.2	3.25	153.17	146.41	130.38	154.17	124.67	123.25
Denmark (36)	201.02	+18.0	190.55	202.04	+27.1	1.57	200.34	191.50	202.65	219.89	165.35	137.88
Finland (26)	127.00	-3.0	120.39	115.33	+0.9	2.40	126.08	120.52	114.86	159.16	123.12	117.31
France (126)	137.64	+19.6	130.48	138.51	+26.7	2.72	137.13	131.08	139.17	139.94	112.57	102.70
West Germany (97)	101.06	+14.9	95.80	99.35	+22.5	2.07	100.93	96.48	100.12	103.84	79.56	83.64
Hong Kong (46)	117.28	+4.9	111.17	117.59	+4.9	4.80	117.57	112.39	117.86	140.33	88.41	106.26
Ireland (17)	159.84	+21.3	151.52	160.53	+30.1	2.76	159.00	151.96	160.43	166.69	125.00	138.58
Italy (97)	91.74	+7.8	86.97	95.10	+14.5	2.40	91.65	87.61	95.67	96.73	74.97	79.82
Japan (455)	182.00	-5.0	172.53	164.80	+8.9	0.49	179.41	171.49	163.48	200.11	164.22	168.34
Malaysia (36)	209.22	+45.8	198.33	217.36	+46.2	2.44	209.17	199.94	217.06	209.22	143.35	132.94
Mexico (13)	326.61	+101.8	309.61	930.23	+129.8	0.56	326.61	312.20	930.23	326.61	153.32	151.75
Netherland (43)	128.99	+14.7	122.27	125.57	+22.2	4.23	128.39	122.73	126.16	131.72	110.63	107.42
New Zealand (19)	80.32	+18.8	76.14	73.04	+28.2	4.79	79.35	75.85	72.52	88.18	62.64	72.43
Norway (24)	180.71	+30.1	171.30	172.49	+39.3	1.50	177.58	169.75	169.93	198.39	139.92	115.83
Singapore (26)	167.57	+33.9	158.85	152.09	+35.7	1.94	168.26	160.84	152.60	170.62	124.57	116.70
South Africa (60)	151.75	+29.9	143.85	128.57	+30.9	4.49	152.35	145.63	128.57	160.24	115.35	108.79
Spain (43)	163.21	+10.0	154.72	148.68	+16.7	3.51	162.21	155.06	149.19	169.75	143.14	145.48
Sweden (35)	182.88	+26.5	173.38	176.58	+34.7	1.94	182.75	174.69	176.93	188.94	138.45	128.20
Switzerland (64)	89.86	+15.1	85.18	92.56	+27.3	2.04	89.53	85.58	92.83	94.16	67.81	81.28
United Kingdom (306)	142.92	+5.6	135.48	135.48	+22.2	4.48	142.04	135.78	135.78	158.41	133.28	135.01
USA (547)	135.80	+20.0	128.73	135.80	+20.0	3.40	144.48	138.10	144.48	146.29	112.13	112.51
Europe (996)	127.26	+10.9	120.63	123.33	+22.7	3.40	126.73	121.14	123.83	132.95	112.69	110.83
Nordic (121)	168.60	+20.7	159.83	158.69	+28.8	1.79	167.98	160.57	158.75	178.38	137.95	119.55
Pacific Basin (669)	178.50	-4.2	169.21	161.75	+9.3	0.73	176.06	168.30	160.50	194.72	160.44	164.79
Euro-Pacific (1665)	158.11	+0.3	149.88	146.30	+13.2	1.61	156.45	149.55	145.73	166.98	141.56	143.28
North America (669)	136.45	+19.9	129.35	135.21	+19.7	3.39	144.89	138.50	143.59	146.66	112.79	113.07
Europe Ex. UK (690)	116.59	+14.8	110.52	115.89	+22.6	2.67	116.26	111.13	116.29	118.51	96.30	95.69
Pacific Ex. Japan (214)	136.21	+9.3	129.12	123.35	+15.6	4.58	135.72	129.73	123.02	140.05	111.93	122.08
World Ex. US (1860)	157.82	+1.1	149.60	145.70	+13.5	1.68	156.40	149.50	145.31	166.35	141.49	142.20
World Ex. UK (2101)	149.53	+6.7	141.75	142.98	+14.8	2.02	151.96	145.25	145.87	156.04	136.98	130.29
World Ex. So. Af. (2347)	148.91	+6.5	141.16	142.35	+15.4	2.22	151.04	144.38	145.03	155.92	136.67	130.83
World Ex. Japan (1952)	133.35	+16.3	126.41	130.84	+20.7	3.45	137.92	131.84	135.73	140.43	114.51	112.66
The World Index (2407)	148.92	+6.6	141.17	142.25	+15.4	2.23	151.05	144.39	144.91	155.89	136.68	130.69

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	May 90 Vol	May 90 Last	Stock
Gold C	$370	25	3.50	6	13.40	-	-	$364.10
Gold C	$390	-	-	25	4.70 b	-	-	$364.10
Gold C	$400	-	-	50	3.20	-	-	$364.10

EOE Index, $/Fl and stock option series: [illegible]

TOTAL VOLUME IN CONTRACTS: 53,008

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	15	City Merchants Bank	15	Mount Banking	15
Adam & Company	15	Clydesdale Bank	15	Nat Bk. of Kuwait	15
Allied Trust Bank	15	Comm. Bk. N. East	15	NatWestminster	15
Allied Irish Bank	15	Co-operative Bank	*15	Northern Bank Ltd	15
● Henry Ansbacher	15	Coutts & Co	15	Norwich Gen. Trust	15
Associates Cap Corp	14	Cyprus Popular Bk	15	PRIVATbanken Limited	15
Authority Bank	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Duncan Lawrie	15	R. Raphael & Sons	15
Bank of Baroda	15	Equatorial Bank plc	15	Roxburghe Guarantee	15½
Banco Bilbao Vizcaya	15	Exeter Trust Ltd	16	Royal Bk of Scotland	15
Bank Hapoalim	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank Leumi (UK)	15	First National Bank Plc	16	● Smith & Williamson Secs	15
Bank Credit & Comm	15	● Robert Fleming & Co	15	Standard Chartered	15
Bank of Cyprus	15	Robert Fraser & Ptrs	15	TSB	15
Bank of Ireland	15	Girobank	15	United Bk of Kuwait	15
Bank of India	15	● Guinness Mahon	15	United Mizrahi Bank	15
Bank of Scotland	15	HFS Bank plc	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	● Hambros Bank	15	Western Trust	15
Barclays Bank	15	Hampshire Trust Plc	15½	Westpac Bank Corp	15
Beneficial Trust PLC	15	Heritable & Gen Inv Bank	15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	● Hill Samuel	§15	Yorkshire Bank	15
● Brown Shipley	15	C. Hoare & Co	§15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	McDonnell Douglas Bk	15		
		Meghraj Bank Ltd	15		
		Midland Bank	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9% Sanesaver 8.5%. Top Tier-£10,000+ instant access 12.25% & Mortgage base rate. § Demand deposit 9%. Mortgage 14.25% - 15%

JOTTER PAD

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

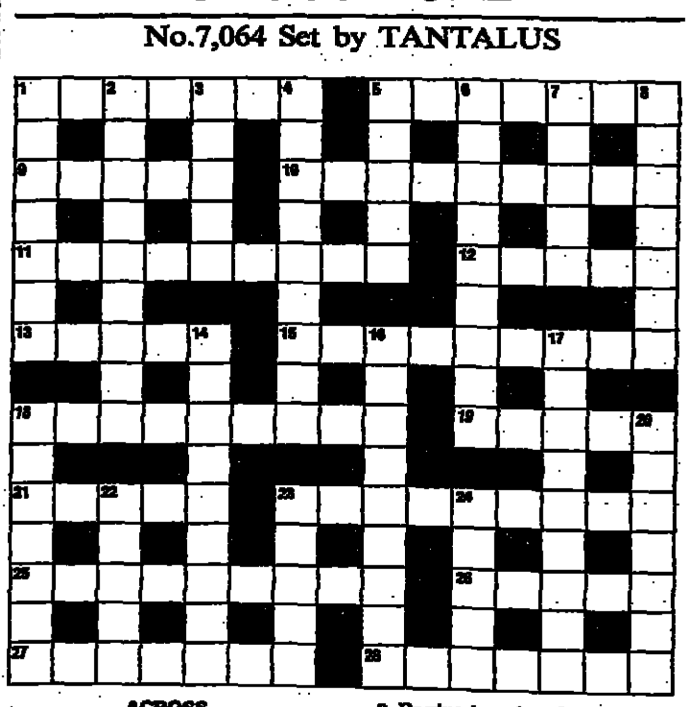
RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CROSSWORD

No.7,064 Set by TANTALUS



ACROSS

1, 5 Illness big sister had treated with selenium (7,7)
9 More pleasant having something cold in outskirts of Niger (5)
10 UDI target could result in appreciation (9)
11 Foul-mouthed in Kent? (9)
12 Legal right to let it out (5)
13 Initially every delinquent is called to order (5)
15 Men let oil discharge – it's soothing (9)
18 Study way to American sports ground (9)
19 Unopened specimen is enough (5)
21 Do any Long Island shops keep this material? (5)
23 Cafe sent meat I ordered (9)
25 Jet pump or a part is damaged (9)
26 "Mysterious — with its native sea" (Wordsworth) (5)
27 Girl with time to make a tile (7)
28 Droops on horseback? (7)

DOWN

1 Players get Swedish money for old instrument (7)
2 Beginning to change into nice leading politician (9)
3 Brave man going to the north gets the bird! (5)
4 Tourist has sense to meet prophet (9)
5 Outlet for artist surrounded by noise (5)
6 I'll scan it maybe and get the hint (9)
7 Grown-up lad ultimately accepted in here (5)
8 See 24
14 Leaves producer to rent her building (9)
16 Bring down deliveries worth producing (9)
17 Once thoughtful and dear (9)
18 Get in touch with acquaintance (7)
20 Former nurse joins son and stretches out (7)
22 Boy takes in work then runs! (5)
23 Time after this to see more football? (5)
24 and 8 Stupidly moves tent – sure loses head up here! (5,7)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 28.

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · SWITZERLAND · NORWAY · SPAIN · SWEDEN · SOUTH AFRICA

[illegible]

JAPAN · AUSTRALIA · HONG KONG · SINGAPORE

[illegible]

CANADA

TORONTO

Closing prices October 13

[illegible]

MONTREAL

Closing prices October 13

[illegible]

21515	Videotron	$18⅞	18¼	18¼ – ⅝

Total Sales 8,665,125 shares.

INDICES

NEW YORK

DOW JONES	Oct 13	Oct 12	Oct 11	Oct 10	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2569.26	2759.84	2773.36	2785.33	2791.41 2 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.06	92.94	92.89	93.01	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1406.29	1484.35	1494.53	1505.87	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.96	219.25	219.00	219.50	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2773.36 (2785.25) Low 2545.49 (2744.06)

STANDARD AND POOR'S

	Oct 13	Oct 12	Oct 11	Oct 10	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	333.66	355.39	356.99	359.13	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	379.66	407.40	407.40	409.73	418.49 (9/10)	318.66 (3/11)	418.49 (9/10/89)	3.62 (21/6/32)
Financial	32.45	34.67	34.88	35.14	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	185.56	196.98	197.81	199.00	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	378.45	395.01	395.68	397.03	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	467.29	482.19	482.16	484.14	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 6	Sep 29	Sep 22	year ago (approx.)
Dow Industrial Div. Yield	3.62	3.74	3.75	3.60

	Oct 11	Oct 4	Sep 27	year ago (approx.)
S & P Industrial div. yield	2.82	2.82	2.90	3.19
S & P Indt. P/E ratio	14.91	14.90	14.42	13.03

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Am T & T	3,934,400	39¼	– 3
Philip Morris	3,533,500	41	– 3⅜
Gen Electric	2,826,000	54¼	– 3⅝
USX Corp	2,823,300	33	– 4⅞
Exxon	2,821,200	44⅛	– 2⅛
IBM	2,418,400	101	– 6⅛
Aristech Chem	2,332,200	20	+ 2⅝
Chevron	2,065,800	59⅞	– 6
Upjohn	2,047,200	37	– 2½
Warner Comms	1,954,900	61½	– 5⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 13	Oct 12	Oct 11
New York	254.060	160.120	164.070
Amex	1.456	11.943	12.029
NASDAQ	167.785	130.964	133.006
Issues Traded	1,972	1,947	1,969
Rises	140	535	453
Falls	1608	894	1,018
Unchanged	224	518	498
New Highs	20	49	59
New Lows	93	51	43

CANADA

TORONTO	Oct 13	Oct 12	Oct 11	Oct 10	1989 HIGH	1989 LOW
Metals & Minerals	3478.3	3652.9	3662.2	3727.9	3919.2 (1/9)	3207.5 (3/1)
Composite	3870.8	4012.5	4008.5	4025.4	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	1971.72	2051.44	2055.49	2069.68	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and *Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83.* † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 13	Oct. 12	Oct. 11	Oct. 10	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1741.9	1730.4	1747.5	1755.7	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	843.9	837.7	849.3	854.0	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	503.49	501.02	515.09	514.39	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6670.45	6719.83	6800.63	6771.96	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	336.59	338.13†	338.63	339.94	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	(u)	699.8	696.6	690.2	815.8 (18/4)	674.8 (27/9)
FRANCE						
CAC General (31/12/82)	553.2	547.9	561.6	559.9	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	125.7	126.1	127.5	128.1	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	672.53	677.41	678.61	698.91	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	2000.5	2014.8	2020.0	2056.8	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1589.29	1612.78	1604.05	1636.41	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2782.30	2793.45	2807.78	2844.04	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1762.90	1765.58	1763.77	1772.92	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	691.93	696.09	695.73	691.39	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35136.02	34795.34	35240.07	(c)	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2646.54	2623.60	2650.51	(c)	2703.58 (2/10)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn Gen.(End 1983)	264.6	265.8	268.0	270.5	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	203.4	204.3	206.1	208.0	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	677.36	666.75	671.60	679.11	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1288.62	1264.57	(u)	1236.42	1288.62 (13/10)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1437.88	1431.85	1428.98	1420.91	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1517.0	1506.0	1488.0	(c)	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2617.0	2622.0	2648.0	(c)	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	932.42	929.61	928.06	921.77	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	322.40	(c)	322.76	322.32	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4445.86	4443.8	4437.28	4360.3	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	806.4	807.9	807.8	813.4	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10272.33	10293.66	10287.08	(c)	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	705.60	700.17	697.29	693.62	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	533.4	535.8	540.6	551.2 (3/8)	487.6 (13/6)

**Saturday Oct. 7: Taiwan Weighted Price: 9871.86. Korea Comp Ex. 922.67.
‡ Subject to official recalculation. †Correction.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday October 13 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fuji Film	14.6m	5,650	+200	Nippon Steel	9.9m	710	+12
Sharp	14.5m	1,580	+10	Casio	8.9m	1,600	+110
MHI	13.9m	1,030	+20	Sony	8.0m	9,440	+140
Toyota	10.9m	2,790	-30	Canon	6.9m	1,940	-30
Nissan Chem	10.1m	1,020	+48	Jpn Strg Bttry	5.9m	1,280	+80

AMEX COMPOSITE PRICES

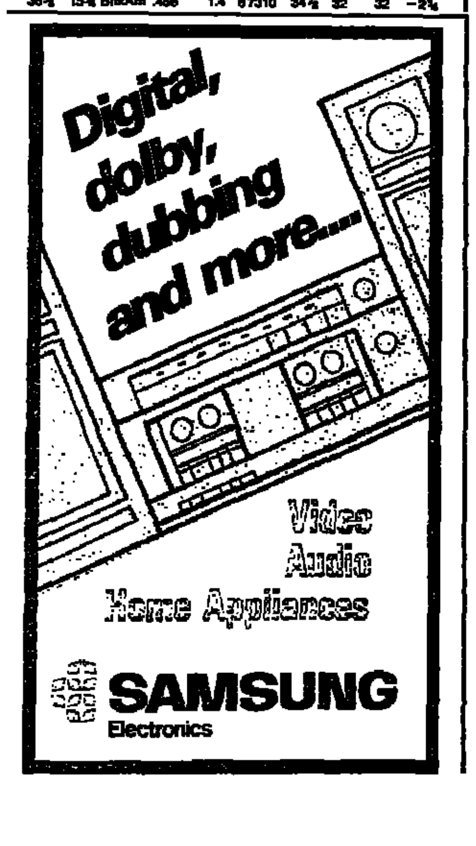
4pm prices October 13

[illegible]

4pm prices C 'ctober 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		-A-A-A-								
37⅞	21¾	AAR	.44	1.3	21	266	35½	34¼	34½	-1¼
9⅞	8⅝	ACM n	1.01	11.		249	9⅛	9⅛	9⅛	-⅛
11⅝	10¼	ACMIn	1.28a	11.		1078	11½	11⅛	11½	
10⅛	8	ACM M	n1.01	12.		245	8⅞	8⅝	8⅝	-¼
11½	10	ACM Sc	1.26	11.		2349	11⅛	11	11⅛	+⅛
9⅜	8⅛	ACMSp	1.01	11.		573	9	8⅞	9	
16	11½	AL Lab	.12	.8	17	282	16	15⅝	15⅞	-⅛
4⅛	3⅛	AMCA	.12e	3.3	24	1	3⅝	3⅝	3⅝	+⅛
6⅛	4½	AM Intl			11	1697	5⅝	5⅜	5⅜	-⅛
23½	20⅞	AM In pf	2	9.0		5	22⅛	22⅛	22⅛	
107⅛	46½	AMR			11	18116	103⅛	88	88⅝	-½
7⅜	3⅝	ARX				220	4⅛	3⅞	3⅞	-⅛
46⅞	37¼	ASA	3a	6.7		619	45⅛	43¾	45	+¼
30¼	15⅛	AVX	.24	.9	13	3059	29¼	28	28	-1⅜
68½	44⅛	AbtLab	1.40	2.3	17	6527	67⅛	61⅜	62	-5
16¼	13¾	AbitibI g	1			80	14¼	13¾	13¾	-½
13	7½	AcmeC	.40	3.8		159	10¾	10½	10½	-⅛
9¾	5⅞	AcmeE	.32	3.6	10	29	9¼	8⅞	8⅞	-½
38½	20¼	Acuson			25	534	37⅛	34½	34½	-2⅝
17	14⅛	AdaEx	1.82e	11.		320	16⅜	16⅜	16⅜	-⅛
12⅝	6½	Adobe				128	12⅞	12⅛	12⅛	-⅛
19⅜	16½	Adob pf	1.84	9.8		16	19	18⅞	18⅞	-⅛
21⅝	19⅞	Adob pf	2.40	11.		1	21⅛	21⅛	21⅛	+⅛
10½	7⅛	AMD				4095	8⅞	8	8⅛	-⅛
36	26¾	AMD pf	3	10.		720	30⅞	30	30	-⅝
10⅛	6⅞	Advest	.12	1.4	16	140	8½	8⅜	8½	
60⅛	46	AetnLf	2.76	4.8	8	3783	59⅞	56½	57	-2⅛
14	12⅛	AflPb				1751	13½	13⅛	13⅛	-⅜
25	15⅛	Ahmans	.88	3.8	11	3331	23⅞	22⅞	23	-⅞
4⅛	2⅛	Aileen				76	3⅛	3	3	
48¼	37¾	AirPrd	1.32	2.9	11	1482	46⅞	45⅝	45⅝	-1⅛
39⅝	17⅜	AirbFrt	.60	1.7	28	553	38¼	35⅛	35⅛	-3½
25⅛	14⅛	Airgas			14	71	23⅞	23	23	-⅞



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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– X–Y–Z –								
69	53⅞	Xerox	3	4.8	17	3632	66	62	62½	–3¼
48¼	44½	Xerox pf4.13		8.9		3	46½	46½	46½	– ½
44¼	27	XTRA	.72	2.8	8	187	27½	d26	26	–1½
33	23⅞	XTRA pf1.94		8.2		2	23¾	23¾	23¾	– ⅛
4¼	2	Zapata				378	2¼	2⅛	2⅛	
15½	9½	Zemex	.40	4.1		8	10	9¾	9¾	– ⅛
22⅞	14	ZenithE				2313	15⅛	14⅛	14⅛	–1
10⅞	7⅝	Zenlac	1.26	16.		678	8	7⅞	7⅞	– ⅛
2½	⅛	vjZenLb				3877	¾	½	¾	+ ¼
21½	13	ZenNtl	.84	4.5	5	263	19¼	18½	18½	– ⅝
18½	12⅛	Zero s	.40	2.3	16	221	17¼	17	17⅛	– ⅛
44¼	25⅛	Zurnin	.68	1.7	18	158	41½	39¾	39¾	–1⅝
12⅞	10	Zweig	1.12e	9.6		969	12	11½	11⅝	– ⅛
10⅛	8¾	ZweigTl	.96	10.		3222	9⅝	9½	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 4pm prices October 13

The Business Column

Turning outsiders into insiders

When Japanese executives ponder international expansion these days, they invariably affirm that their companies' *long-term strategy* is to become "insiders" in overseas markets. And when the market in question is Europe, they often add: "Just like IBM and Ford".

In Japanese eyes, the larger US multinational companies (MNCs) have acquired enviable freedom to range widely across Europe without exciting protectionist reactions. By doing much of their manufacturing locally, by employing local managers and staff and by generally adding to economic prosperity, they have won honorary passports to most countries where they do business.

Companies such as IBM and Ford are keenly aware that doing well in Europe means doing good, and lose no opportunity to publicise their contributions to employment and exports in each of their main national markets.

However, Japanese companies would be wrong to conclude that all they have to do is to pursue "localisation" policies more aggressively. Indeed, by simply stepping up their direct investments overseas they risk aggravating, rather than placating, the very antipathy they are so anxious to overcome.

Stateless neutrals

For the really clever thing about US MNCs is not that they have demonstrated commitment to host economies, but that they have avoided becoming anybody's national champion. By carefully cultivating the image of stateless neutrals, they have deflected concern abroad that they were extending the frontiers of US economic imperialism.

It has probably never been less true that what is good for General Motors is also good for the US. While the US share of world trade has steadily shrunk, that of US MNCs has remained buoyant. MNCs may, indeed, have sometimes acted contrary to the broader US interest: by rushing to source and produce more from low-cost bases offshore, they have arguably hastened the erosion of the US's industrial base.

Statelessness, of course, can also have drawbacks. Ford has long complained about having to compete in Europe against national champion carmakers, behind each of which stands a government with a deep purse. Yet it is debatable how severe a handicap this really is. Not only is Ford adept at teasing subsidies out of European authorities, but its local rivals have probably lost as much as they have gained from national policies which encouraged them to concentrate sales and production narrowly in their home markets.

Most US MNCs would resist any attempt by Washington to link their activities too explicitly to policy goals. Witness IBM's unhappiness several years ago when the Reagan administration tightened controls on high-technology exports. By seeming to subordinate the company's commercial strategy to contentious US political objectives, the affair set back IBM's energetic efforts in Europe to gain admission to prestige electronics research programmes such as Esprit.

A few large European companies, such as Philips of the Netherlands and Electrolux and Ericsson of Sweden, have also attained relative statelessness. Interestingly, they almost all hail from small countries, which cannot seriously be accused of ambitions to impose their economic will on their neighbours.

The problem for Japanese companies is that, to many foreign observers, their overseas expansion seems intended principally to propagate Japan's economic and technological hegemony. Thus Sony's recent acquisition of Columbia Pictures has been widely viewed in the US not as a commitment by the company to the US economy, but as part of a menacing invasion by "Japan Inc."

Hysterical such reactions may be. But until Japanese companies manage to dispel the perception, rightly or wrongly, that their overriding objective is to advance Japan's national interest, winning acceptance as international "insiders" is likely to remain an uphill struggle.

Guy de Jonquières

MONDAY INTERVIEW

Champion of worker rights

Vasso Papandreou, EC Social Affairs Commissioner talks to **John Gapper** and **David Buchan**

Tomorrow, Ms Vasso Papandreou, the strong-featured and strong-willed European Social Affairs Commissioner, takes her campaign for an European Community charter of basic workers' rights into largely hostile territory. She will put her case to the House of Commons Employment committee, preach to the unconverted – and probably unconvertible – Mr Norman Fowler, the Employment Secretary, and the Confederation of British Industry, and see the already-persuaded Mr Neil Kinnock, the Labour Party leader.

No single issue divides the British Government from all its EC partners more clearly than the Commission's proposed social charter. It aims to place a minimum safety net on pay, working conditions and rights underneath workers who might otherwise feel threatened by more cut-throat business competition in the post-1992 single European market. Not only is this end at odds with the goal of deregulating the labour market which the Thatcher Government has pursued in Britain. So are the means proposed by the Commission – a mixture of Community-wide legislation and of "social dialogue" between employers and unions in member states.

But Ms Papandreou knows the British scene and has her defences prepared, as one would expect from someone who not only learnt but taught economics in the UK. For a start, she contests the British Government's equation of labour market deregulation with job creation. "Over a 10-year period, the UK has performed no better than any other EC state – employment increased by half a million, which relatively amounts to the Community average," she points out. "You cannot have sustained economic growth without social consensus." The latter, she defines as "taking into account the needs, desires, aspirations of all social groups."

Take West Germany inside the Community, or Sweden outside it, she says. "Those economies which are better off are not those which have no discussion or dialogue between the two sides of industry."

She shares the wider vision of Jacques Delors, the Commission's president, in wanting to hold up Europe as an example to the rest of the world. "Europe has always been known as a democratic place, where different social groups participate and enjoy the benefits of growth. This is why both western and eastern countries look to the EC as a signal, a light, an example." Noting the Community's current magnetism for its neighbours, she says: "It is not only the rate of growth that impresses them, but also the living and working conditions and the rights that its citizens enjoy." For her, the much-vaunted internal market will be a failure if its economic gains are not passed on to ordinary workers.

Precisely how the Social Charter will promote this vision is not yet clear. Its vagueness has attracted criticism from Sir Leon Brittan who voted against it, not because (as one might have expected from the senior UK Commissioner) he felt any Community charter would be wrong, but because the 33-article document which Ms Papandreou has proposed leaves unclear what should be done at Community level, and what should be left to member states or their "social partners." Ms Papandreou is unwilling to clarify this, until she comes up with her promised social action programme by the end of next month.

This, at least, means that when as host of the EC summit in Strasbourg in early December, President François Mitterrand, calls on his partners to join him in approving the Social Charter, they will know the practical consequences of what they are voting on.

The charter, and such subsequent social legislation as requires majority (as distinct from unanimous) approval, will go through because of the forces arrayed in its favour. Its strongest supporters, even stronger than the European Trade Union Confederation (Etuc) and the socialist leaders of France and Spain, are the leaders of the northern continental economies with high wages and high labour standards. These leaders, and even more their trade unions, simply do not want these wages or standards undercut by the likes of Portugal. Social dumping, or the competitive devaluation of wages and labour rules to attract or keep investment, has not occurred, as even Ms Papandreou acknowledges. But neither she nor the Helmut Kohls of the Community want to take any chances.

This fear of mass mobility of a low-paid workforce from Spain or Portugal undercutting pay and conditions in other Community countries is not the only worry. Employment growth in the past five years has also brought a splintering of working patterns and contracts in the higher wage economies and the emergence there of a two-tier labour market.

Part-time and temporary contract work, particularly in service industries and often performed by women, has boosted the employment-creation component of economic growth. But Ms Papandreou shares the traditional Commission view that "flexible" employment patterns tend to benefit employers at the expense of workers who often have no choice but to accept "atypical" work.

She says the lack of childcare forces women into such work. "I do not think that most women choose it. They are obliged to do these jobs. Because of demographic pressures the demand for labour will increase and we have to have women better qualified and trained . . . why not give women the opportunity to have better jobs?"

"What worries me is that there is an increasing fragmentation of the labour market. There are women who have had a very good education which the society has spent a lot of money on and then it is not used. From a personal point of view, women do not have the opportunity to fulfil themselves, and for the society, there is a waste of human resources."

The British Government is already under some pressure on the issue of childcare following Commission research showing it is among the worst providers in the Community of publicly funded childcare for working parents. But Ms Papandreou insists that the social security and economic costs of not improving provision are greater than those of doing so.

Her argument also relies on demographics: this time the increasing ratio of pensioners to workers in European countries because of the fall in birth rates below replacement levels. If women are not given the means of combining the bringing-up of children with working, either worsening labour shortages will constrict economic growth, or the birth of new workers will be limited.

"In the short-run, it might be a greater cost, but it is not a viable society if there is not an increase in the rate of birth. . . . It is not only a problem for social security, it is a problem for production," she says. She sees workers of both sexes having access to education and training, and being freed to use their knowledge through an enabling social framework.

These opportunities would not only fall within national boundaries: this European workforce could cross borders to meet demands for skilled labour in other countries. The Social Charter would then act as a charter for highly paid and skilled workers rather than simply being a barrier against the export of people with low pay and inadequate training.

She argues that people want greater freedom of movement, and high-skilled mobility would be economically desirable. "We face the problem of unemployment in some areas and sectors, and at the same time surpluses. If we give people better education and training, then their mobility will increase. It is desirable and it is necessary."

Despite this broad vision of an ideal Community labour market, Ms Papandreou is cautious about the prospects of sweeping European legislation to bring it about. Directives on part-time and temporary work have been mooted since the early 1980s, and European unions would like to see a broad directive on atypical work included in the action programme. She seems less ambitious.

One piece of legislation she sees emerging from the charter is insistence on written employment contracts for part-time and temporary workers to ensure the "transparency" of working conditions. Another requirement she talks of is further harmonisation of pension arrangements across European boundaries so that an engineer working abroad would not lose social security contributions. A third legislative proposal is expected to give some protection to, say, employees of a Spanish contract cleaning company operating permanently at Frankfurt or Heathrow airports.

Ms Papandreou is a socialist. But she says it strikes her as "confused and illogical" when a charter, supported by centre-right Christian Democrats in Bonn, is said by the UK Government to be "socialist and marxist." Apart from a few legislative proposals, Ms Papandreou emphasises her preference for voluntary action by the two sides of European industry. The Commission would like to extend the social dialogue down from the European discussion level to talks at national level and within sectors.

Despite the British Government's distaste for the industrial consensus that Ms Papandreou favours, her "social dialogue" ought to be easier for it to swallow than Brussels-inspired legislation.

PERSONAL FILE

1944 Born
1969 Studied economics at Athens University
1971-73 MSc in economics at London University. Tutor at Exeter University
1980 PhD Reading University
1985 Member of Greek parliament
1986-87 Industry Minister
1988 Trade Minister
1989 EC Commissioner for Social Affairs

Alan Harper

'Countries look to the EC as a signal, a light, an example'

Time to look anew at an Anglo-Irish court

JUSTINIAN

The surrender by one country to another of fugitives from criminal justice has always been a troublesome subject, in which law and politics consistently confront each other. The decision by the Irish authorities not to put Father Patrick Ryan on trial is the latest instance of a failure to deploy criminal justice in its international context.

From the end of the last century, extradition depended on reciprocal arrangements between countries for the return of fugitive offenders. Bilateral treaties were the method most commonly applied, although multilateral extradition arrangements were frequently made by States with political links. Reciprocating national legislation, for example, provides the bases for extradition between Commonwealth members.

A common feature of such treaties and arrangements has been a refusal to surrender a fugitive for a political offence, though what is "an offence of a political character" – to adopt the phrase used unhelpfully by the United Kingdom Parliament – has defied precise definition. Dispute and uncertainty have prevailed in court decisions. In the last ten years at least, it has become possible internationally to recognise that those committing serious crimes of violence should not escape criminal justice by resorting to a claim that they were at least politically motivated, if not intrinsically offences against the State. But that move to combat terrorism has not stripped the procedural aspects of extradition of their political ingredients, although it has muted the substance of law in extraditable crimes.

The process of extradition requires an act both of executive government and the courts. Politicians, public administrators and courts form the segments of the process for deciding whether to accept a request for extradition, whether an extradition crime has been committed and whether there are any obstacles, legal or political, for the issue of a warrant of surrender.

Father Ryan's case never reached the stage of court proceedings, simply because governmental decisions obtruded. The Belgian government had declined to hand Father Ryan over to Britain and instead deported him to the Republic of Ireland, his country of origin. When the British government requested the Irish government for his surrender to the authorities for trial in this country, they were thwarted by the Irish view that no fair trial could be guaranteed to Father Ryan since politicians in this country had made public statements that assumed Father Ryan's involvement with the organisers of terrorism. The Irish prosecutor had been given unwittingly a sound basis for not handing over someone against whom there appeared to be sufficient evidence to warrant him being put on trial. Whether the political utterances would, in fact, have impeded a fair trial may be a matter of pure speculation. That there appeared to be a fear of irremovable prejudice in any future jury could not be gainsaid.

The option then was to invoke a law that gave the Irish courts jurisdiction to try certain offences committed abroad. The expectation was that, since there appeared to be sufficient evidence for a trial in England, the same witnesses would be available for any trial in Ireland. Not so, according to the Irish Director of Public Prosecutions. He has announced that no prosecution is to take place. In the absence of a reasoned decision, an uninformed guess must be that vital witnesses are unwilling to cross the waters and give evidence in an Irish court.

It is altogether too facile to conclude that the decision of the Director of Public Prosecutions is "politically unwise." Like our own Director of Public Prosecutions, the Irish counterpart is a public servant performing a duty of assessing and evaluating witnesses' statements and documents for the purpose of making an administrative decision. If the situation were reversed, and the DPP in England concluded that a trial should not take place, doubtless the Home Secretary and the Attorney-General would be quick to point out that the decision had been uninfluenced by political considerations and that the Director of Public Prosecutions was in any event independent of government. There can be no assumption that the Irish Director of Public Prosecutions was persuaded to his decision by the politics of the case.

The end result is profoundly unsatisfactory for both the Irish and English systems of criminal justice. Extradition and trial at home have each been found unavailable to provide the necessary back-up to the combatting of terrorism. Instead of the excessive preoccupation with the politics that surround a particular case, rather we should look to ways of removing the immunity of terrorists from the processes of criminal justice.

Proposals for a supra-national court of human rights or a writ of "world habeas corpus" appear to have little prospect of realisation in the near future, although some progress has been achieved on a regional basis among the member-states of the Council of Europe. A more modest attempt might be made to establish an Anglo-Irish court, although in the recent past this has not found favour when suggested for dealing with terrorism in Northern Ireland. But it deserves some renewed consideration within the confines of effecting the Anglo-Irish Agreement. Meanwhile, some inquiry might usefully be conducted in order to inform the public in both the United Kingdom and the Irish Republic why it is possible for Father Ryan to claim his total innocence of offences for which there appears to have been some evidence.